

Charity Registration No. 1116809

Company Registration No. 05935028 (England and Wales)

HAPPY CHILD INTERNATIONAL

UNAUDITED ACCOUNTS

FOR THE YEAR ENDED 31 December 2020

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

J Doddrell
J A Herring
M A Pinks
C Teuten
J Martinez da Cruz

Secretary

M A Pinks

Charity number

1116809

Company number

05935028

Principal address

The Leatherhead Institute
67 High Street
Leatherhead
Surrey
KT22 8AH

Registered office

The Leatherhead Institute
67 High Street
Leatherhead
Surrey
KT22 8AH

Independent examiner

Andrew Miller BSc FCA
Azets / Wilkins Kennedy LLP
Trinity Court
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**TRUSTEES' REPORT (incorporating the Directors Report)
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Trustees present their report and accounts for the year ended 31 December 2020.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charity's Memorandum and Articles of Association, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016).

Structure, governance and management

The charity is a company limited by guarantee, incorporated on 14 September 2006 and registered as a charity on 28 November 2006.

The company was established under a memorandum of association which established the objects and powers of the charitable company and is governed under its articles of association.

All directors give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 11 to the accounts.

Trustees

The Trustees, who are also the directors for the purpose of company law, and who served during the year were:

John Doddrell
Mark Pinks
John Herring
Clive Teuten
Joao Martinez da Cruz

New directors are appointed by a majority vote of the current board of directors. Directors are selected based on the skills possessed to fill a vacant position on the board. The board will invite a potential director to attend a meeting prior to their appointment.

An induction process exists to familiarise new directors with the history, operations and strategy of the charity. Directors attend training courses when a need is identified by the board.

The board of directors, who are also trustees provides the strategic direction of the charity. The board meets every other month to approve major decisions regarding events, communications with donors and the operational relationship with its partner organisation in Brazil. Happy Child assesses whether its partners overseas meet all relevant legal requirements and follow good practice.

Throughout this report "HCI" will refer to Happy Child International and will refer to Criança Feliz as the charity's main partner in Recife, Brazil during 2020.

TRUSTEES' REPORT (incorporating the Directors Report) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are grateful to all those who support the work in action, giving and prayer:

- Staff for their dedication and commitment to the work of Happy Child International UK in 2020.
- Volunteers during the year our volunteers continued to provide a vital contribution to the work of the charity giving their time, passion and energy. Mostly our volunteers have helped with fundraising and support to the office and events.
- Supporters who are individuals and churches loyally partnering with the vision of Happy Child International.

Risk Management

The trustees accept that the management of risk is ultimately their responsibility and having examined the major strategic, business and operational risks which the charity faces, confirm that appropriate control systems have been established to manage and mitigate and regularly review such risks as far as possible.

Objectives and activities

Public benefit focus on ensuring that our activities achieve our charitable aims

The trustees review the aims, objectives and activities of the charity on a regular basis. The review looks at what the charity has achieved and the outcomes of its work within the last twelve months. The directors consider the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remain focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the directors consider how planned activities will contribute to the aims and objectives that have been set.

Objective of the charity

The charity's objective is 'A child and family services charity organisation delivering advisory, campaigning, advocacy and child care services for the rescue and personal development of street children and children at risk from multiple threats, in partnership with governments and other care agencies in the developing world.'

- We do what we do with a Christian conviction.
- At present our emphasis is in Brazil

TRUSTEES' REPORT (incorporating the Directors Report) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

The Trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charity should undertake.

The charity's main activities are reported as:

- Child & Family Care Services
 - Care - developing a model of excellence for the Recife Safe home in the care of young teen age girls and their babies.
 - Child Protection – protecting children and young people from violence and advocating and equipping others to do the same
- Advocacy and Campaigning
 - Child Rights – supporting children and young people and civil society to demand rights for every child and young person and for governments to deliver on their promises
- Research and Advisory Services
 - Education & opportunities – secure a quality basic education for children and young people

**TRUSTEES' REPORT (incorporating the Directors Report) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020**

The difference Happy Child International set out to make in 2020.

HCI has been running residential care homes for 26 years in Brazil. During recent years the focus of the work was to continue supporting the safe home for vulnerable pregnant young mums and their babies. The UK continued to encourage its partner Criança Feliz to secure funding in Recife that would provide longer term sustainability for the safe home. However, towards the close of 2019 it was ever more difficult to secure partnerships in country. The economic crisis in Brazil hampered progress and increasing challenges to run the high cost of residential care accelerated conversations with our partner about a possible change in direction. The suggestion was that a different approach might open up new opportunities. At the close of 2019 Criança Feliz opted to begin looking at a more community preventative way of working which would potentially reach more children and young people at risk and increase the impact of the work.

In early 2020 Criança Feliz intended to transition its model. However, by March 2020 Covid-19 changed the outcomes of all proposals and plans that were being worked on. The Pandemic began to seriously impact the effective delivery of Criança Feliz services in Recife. As it developed the difficulties of keeping new arrivals in the home safe and equally of keeping existing staff safe were challenges that continued to escalate. The home did not have the physical structure and staff levels to work with quarantining new mums. On the 10th July 2020 the leadership team in Brazil took the difficult decision to close the home as the global and national situation in Brazil continued to unfold. The UK Board were fully supportive of the decision taken by its partner Criança Feliz and understood the difficulties of continuing to operate.

The home was loaned to Happy Child on a pro bono basis and given that the work was going to change direction the building was returned to its owner by the end of 2020. The home's furniture and equipment were then re distributed to another Christian Charity in Recife working with vulnerable communities. At the time of writing this report our partner Criança Feliz has no immediate plans to submit a new proposal. The situation with Covid-19 continues to be serious in Brazil. HCI is in contact with Criança Feliz and HCI will continue to monitor the situation and the national situation in Brazil during 2021. Despite the closure of the home there were successes.

Achievements through our partnership with Criança Feliz in 2020

During the first half of 2020, HCI and its partner Criança Feliz continued to raise awareness about the plight of teenage pregnancy both here and in Brazil with agencies such as local authorities, peer organisations, local churches, schools, civil society and other organisations.

Our partner Criança Feliz continued to be part of the REPLANDECER network, a group of 10 other international Christian NGO's in Recife working with issues that concern children and young people at risk in Recife.

Through the tireless work of the Criança Feliz team the long term adoption of one of our young Mum's and her 3-year-old daughter was completed at the close of 2020. Both Lisa and her daughter Lorena secured a forever home with a family who they got to know very well through being in the care of the Recife Safe Home. Read Lisa's story.

Lisa's Story

One young girl, Lisa, arrived in the safe home in 2016 at the age of 13, pregnant and terrified of giving birth. She wasn't able to return to either her family or her community. Her case was a serious one of profound abuse and rejection. She is now 17 and both Lisa and her daughter have always wanted a forever family.

After two failed attempts for Lisa's adoption between 2017 and 2019 another opportunity came up for them. Finding the right adoptive parents, especially for a teenager who comes with a child is quite a tall order.

TRUSTEES' REPORT (incorporating the Directors Report) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

However, during the most challenging of years (2020) a new door opened for Lisa.

Marilyn, had served on the Recife safe home staff team for many years and had built up a special relationship with both Lisa and her daughter, caring and supporting them day to day during their time in the home. After a lot of reflection and consultation with the relevant professional bodies and with the safe home coordinator Delza, Marilyn decided to formally ask Lisa if she would like to be adopted by her. The young mum was delighted to accept and said that it was a dream come true for her to be welcomed into the family of a person she knew well, loved and where the relationship was reciprocal. The formal adoption process started in August 2020 and was officially completed by December 2020. Lisa and her daughter now have the safe and stable life they deserve. Marilyn will become Lisa's mother and Lisa will bring her baby up in a loving family unit.

Happy Child's Achievements from August 2020

Despite the difficulties of the global situation and closure of the home the charity sought to continue its mission in the transformation of lives for children and young people at risk in Brazil. Mid way through 2020 HCI had to quickly respond to the Pandemic crisis by establishing new Brazilian partners at short notice. With its long history of serving in Recife (13 years) and with the support of existing Criança Feliz staff the charity was able to connect with two new organisations in the city. They are focused on a more community based preventative approach and operate in vulnerable communities where there is a high prevalence of children and young people at risk.

Both organisations, Instituto Solidare & Ammar Transforma are well known to the UK team and its Board. Through engaging with them in the latter half of 2020 we were able to continue to support vital work in Recife, North East Brazil. Furthermore, we were able to implement HCI's overall strategic desire to support more sustainable ways of working which HCI thinks post Covid-19 will have a wider impact.

Through supporting community based preventative work, which provides educational and vocational training to socially vulnerable children and young people, we have achieved the following in the latter half of 2020.

- Through Instituto Solidare the supply of 190 basic food baskets with hygiene and cleaning materials to one of Recife's most vulnerable communities in the Sapu Nu district that has a population of 6,000. Current research informs us that the Covid 19 pandemic has pushed 83.5% of the labour market in Brazil into a state of vulnerability. 13.5 million people are unemployed which is more than the entire population of Sao Paulo. Many of the families, children and young people were not receiving the support they needed at the height of the pandemic. In the distribution of vital resources, priority was given to families with young children, the elderly and those caring for family members with a disability or with special needs.
- HCI was able to release funds to Instituto Solidare to host its 7th Mentoring and Skills Training programme for 40 young people from low income families. This training is part of the larger Holistic Citizen Programme which is a state government initiative for young people. Research informs that 27.1% of those who are unemployed are between the ages of 16 to 18 years old.
- This training will invest in up skilling these young people and providing opportunities for work placements and career development. Unemployment levels amongst young people are high in Brazil and more so for those who live in marginalised communities and usually have fewer opportunities to break into the job market.

**TRUSTEES' REPORT (incorporating the Directors Report) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020**

- Through Ammar Transforma the supply of 70 food baskets to the 53 families that this organisation is working with in the Joana Bezerra district. Furthermore, through their community hub the Ammar Transforma team continued to provide medical health care clinics for its residents, amongst them children and young people who suffer respiratory problems.
- HCI also supported the complete refurbishment of Ammar Transforma's community hub to provide a more comfortable environment for working with its children, young people and their families.

The difference Happy Child International sets out to make in 2021

Happy Child International succeeded in establishing 2 new partners at the close of 2020. It would like to add one more low risk partner to its portfolio of work over the next 12 months to increase impact on the ground in the region. Through the work it is supporting in Recife, North East Brazil it would like to continue to raise awareness of the plight of vulnerable children and young people in the region.

HCI would like to engage further in Advocacy and Campaign programmes that highlight the risks and vulnerabilities that children and young people face in the North East region of Brazil. The partners it is working with and seeks to establish are influencing national governments and agencies on policies that affect its cause. HCI is keen to continue supporting work that brings structural change to some of the issues facing children and young people at risk in Brazilian society.

HCI would like to become a more widely known organisation in the UK and in Brazil with wider recognition for the hands on work it is doing through partnerships that work with children and young people at risk. Our focus in 2021 in the UK and in Brazil is to seek opportunities to promote HCI with other like-minded partner organisations such as Christian NGO's, churches, businesses and individuals. It is also our goal to continue to improve our digital reach through improving our website and social media strategies.

To grow / increase our income from fundraising activities in 2021 in the UK so we can do more for the cause of children at risk and their families in the North East region of Brazil. Fundraising income has remained static with a small increase in 2020 compared to 2019. In 2020 the charity was forced to suspend some of its core activities for fundraising such as local community events and a larger supporter even in London. In 2021 the charity would like its income to remain stable and to increase it again. Covid-19 will affect the first half of the year but the charity hopes that the national situation will improve by mid-2021.

Research and Advisory Services

Happy Child International is a member of the Consortium for Street Children here in the UK which is an organisation advocating and campaigning for street connected children around the world, HCI lends it support to them and when appropriate through participating in events and conferences that they host as well as actively supporting their International Day for Street Children.

UK Fundraising Activities

In 2020 Covid-19 significantly affected the HCI's normal fundraising activities. In February 2020 we put on a small fundraising event at Burpham Church near Guildford. At the end of March all our events were cancelled for the remainder of the year. The charities income remained stable with the bedrock of our direct debit supporters continuing to give and with one off gifts from loyal supporters. In June 2020 one of our supporters undertook a challenge event which brought in further funds. In the autumn we were given 2 generous gifts from one of our main supporting donors and this helped to keep our income steady. The staff also agreed during the March 2020 lockdown to reduce their hours for 3 months so that charity overheads could be kept at a minimum and while the Happy Child office was non-operational.

HAPPY CHILD INTERNATIONAL

TRUSTEES' REPORT (incorporating the Directors Report) (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

Financial review

Your Board estimates that the costs of both the UK and Recife activities combined can be analysed as below:

	2020 Actual £96,767	2021 Budget £120,000	2022 Forecast £150,000
Total Cost			
Cost of generating funds	24%	30%	25%
Charitable activities			
Child and Family Care Services	70%	67%	70%
Thematic Advocacy and Campaigns	0%	2%	3%
Research and Advisory Services	0%	1%	2%
Governance	0%	0%	0%
	94%	100%	100%

The charity is working hard to ensure that its Child and Family Care Services work continues to build sustainable development and at the same time building powerful campaigns to drive wide awareness and to influence national governments and agencies on policies that affect our cause.

The economic climate for charitable fundraising continues to be challenging, with income from donations and fundraising for the year totalling £102,764 as compared to £93,099 for the year ended 31 December 2018.

The charity would like to hold reserves, but has always had an urgent need to release funds to meet urgent requirements in the projects and therefore has not held reserves. Until these requirements diminish, or donations increase dramatically this is the ongoing policy.

Happy Child has continued to provide grants to Recife. The total grants to Criança Feliz for 2020 was £49,100. Additional grants of £8,500 were sent to charities in Recife

The charity continues to monitor activities closely and seeks addition methods to attract new and additional funding.

Going concern

The board reports the year ended with a small surplus of £5,997 (2019 surplus £5,949). The board acknowledges that this has been another tough year for income and as such the charity has been limited in the grants it can provide.

The charity continues to have strong local support from a wide range of sources, being donations, sponsored events, talks at schools, churches and conferences, grants from trusts & foundations.

Based on the 2021 and 2022 budget projections, the board of directors is confident that Happy Child International Ltd will continue to be a going concern.

HAPPY CHILD INTERNATIONAL

TRUSTEES' REPORT (incorporating the Directors Report) (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern - continued

Covid-19 update - The trustees have reviewed income and expenditure projections since the outbreak. The charity has continued to receive donations, has reduced expenditure and continues to make grants to the organisations in Brazil that it supports. As stated earlier in this report, the organisation has positioned itself to carry on through the pandemic and into the new year.

Statement of Trustees' responsibilities

The Trustees, who are also the directors of Happy Child International for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees are required to:

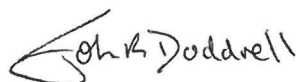
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent examiners

The Board unanimously voted to reappoint Andrew Miller of Azets / Wilkins Kennedy to continue as Independent Examiner for the 2020 accounts and are sure they will continue to provide an excellent quality service in a competitive manner.

On behalf of the board of Trustees



.....
John Doddrell

Trustee

Dated:

**INDEPENDENT EXAMINER'S REPORT
TO THE TRUSTEES OF HAPPY CHILD INTERNATIONAL**

I report on the accounts of the charity for the year ended 31 December 2020, which are set out on pages 13 to 23.

Respective responsibilities of Trustees and examiner

The Trustees, who are also the directors of Happy Child International for the purposes of company law, are responsible for the preparation of the accounts. The Trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011, the 2011 Act, and that an independent examination is needed. I am qualified to undertake the examination being a qualified member of The Institute of Chartered Accountants in England and Wales.

Having satisfied myself that the charity is not subject to audit under Part 16 of the Companies Act 2006 and is eligible for independent examination, it is my responsibility to:

- (i) examine the accounts under section 145 of the 2011 Act;
- (ii) to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- (iii) to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent examiner's statement

In connection with my examination, no other matter except that referred to in the above paragraph has come to my attention which gives me reasonable cause to believe that in any material respect the requirements:

- (i) to keep accounting records in accordance with section 386 of the Companies Act 2006; and
- (ii) to prepare accounts which accord with the accounting records, comply with the accounting requirements of 396 of the Companies Act 2006 and with the methods and principles of the 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) have not been met.



Andrew Miller BSc FCA
Azets
Accountants
Trinity Court, 34 West Street, Sutton.
SM1 1SH

Dated:

HAPPY CHILD INTERNATIONAL

STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unrestricted funds £	Restricted funds £	Total 2020 £	Total 2019 £
Income					
Donations and legacies	2	88,204	13,800	102,004	83,627
Activities for generating funds		0	0	0	232
		88,204	13,800	102,004	83,859
Income from charitable activities	4	760	0	760	9,240
Total income		88,964	13,800	102,764	93,099
Expenditure					
Costs of generating funds					
Costs of generating voluntary income	6	23,318	0	23,318	25,640
Expenditure on Charitable activities					
Child and Family Care Services	5, 7, 8, 9	67,539	5,500	73,039	61,510
Thematic Advocacy & Campaigning Services		0	0	0	0
Research and Advisory Services		210	200	410	0
Total expenditure on charitable activities		67,749	5,700	73,449	61,510
Total expenditure	5	91,067	5,700	96,767	87,150
Net income/(expenditure) for the year/ Net movement in funds		(2,103)	8,100	5,997	5,949
Fund balances at 1 January 2020		10,712	0	10,712	4,763
Fund balances at 31 December 2020	17	8,609	8,100	16,709	10,712

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

HAPPY CHILD INTERNATIONAL

BALANCE SHEET AS AT 31 December 2020

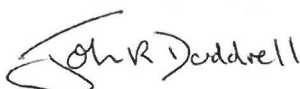
	Notes	2020 £	2020 £	2019 £	2019 £
Current assets					
Debtors	13	4,612		2,278	
Cash at bank and in hand		14,239		10,792	
		<u>18,851</u>		<u>13,070</u>	
Creditors: amounts falling due within one year	14	<u>(2,142)</u>		<u>(2,358)</u>	
Total assets less current liabilities			16,709		10,712
Creditors: amounts falling due after more than one year	15		0		0
Net assets			16,709		10,712
Income funds					
Restricted funds			8,100		0
Unrestricted funds			8,609		10,712
			<u>16,709</u>		<u>10,712</u>

The company is entitled to the exemption from the audit requirement contained in section 477 of the Companies Act 2006, for the year ended 31 December 2020. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these accounts.

The Trustees acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

These accounts have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The accounts were approved by the Board on.....



John Doddrell

Trustee

Company registration no. 05935028

Charity Registration no. 1116809

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.1 Charity Information

Happy Child International is a private company limited by guarantee incorporated in England and Wales. The registered office is The Leatherhead Institute, 67 High Street, Leatherhead, Surrey, KT22 8AH.

1.2 Accounting Convention

The accounts have been prepared in accordance with the charity's articles of association, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under historical cost convention. The principal accounting policies adopted are set out below.

1.3 Incoming resources

Donations, legacies and other forms of voluntary income are recognised as incoming resources when receivable, except insofar as they are incapable of financial measurement.

1.4 Resources expended

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.

Expenditure is allocated on an accruals basis between the costs of generating funds, direct charitable expenditure and the cost of governance of the charity.

Administration costs are re-allocated to each of the activities on the following basis which is an estimate, based on employee's time, of the amount attributable to each activity.

Costs of generating funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

Grant funding is paid directly to Criança Feliz, Instituto Solidare and Ammar Transforma for use in Recife as described in the trustees report.

1.5 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.6 Restricted funds

Restricted funds are donations and other incoming resources received or generated for specific use within the charities purposes.

Accounting policies

(Continued)

1.7 Unrestricted funds

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

1.8 Financial Instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial instruments

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Accounting policies**(Continued)****1.9 Critical accounting estimates and judgements**

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

1.10 Going concern

Happy Child International had net assets of £16,709 (2019 net assets of £10,712) as at 31 December 2020.

The Trustees are monitoring spending and cash flow regularly and implement steps to ensure that the charity can meet its liabilities as and when they fall due. The restructuring process of the UK team implemented in 2015 has enabled this.

This gives the Trustees reason to conclude that Happy Child International is a going concern as at 31 December 2020.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

2 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2020 £	2019 £
Donations and gifts	88,204	13,800	102,004	83,627
	88,204	13,800	102,004	83,627
Donations and gifts Funds:				
Donations	82,817	13,800	96,617	79,557
Gift Aid	5,387	0	5,387	4,070
	88,204	13,800	102,004	83,627

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 Restricted fund income

In 2020, Happy Child International held restricted funds for specific a specific project in Brazil plus funds towards research.

Restricted funds £	Total 2020 £	Total 2019 £
13,800	13,800	0

4 Income from charitable activities

	Unrestricted funds £	Restricted funds £	Total 2020 £	Total 2019 £
Grants receivable	760	0	760	9,240

5 Total resources expended

	Direct Expenditure £	Support costs £	Grant Funding £	Total 2020 £	Total 2019 £
Costs of generating funds					
Costs of generating donations and legacies	17,308	6,010	0	23,318	25,640
Charitable activities					
Child and Family Care Services	12,203	3,236	57,600	73,039	61,510
Thematic Advocacy & Campaign Services	0	0	0	0	0
Research and Advisory Services	410	0	0	410	0
	12,613	3,236	57,600	73,449	61,510
	29,921	9,246	57,600	96,767	87,150

Governance costs includes payments to the independent examiner of £1,770 (2018: £1,770) for independent examination fees.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

6 Costs of generating donations and legacies

	2020	2019
	£	£
Staff costs	17,080	16,486
Event costs	228	1,602
Fundraising costs	0	0
Consultancy	0	936
Support costs	6,010	6,616
	23,318	25,640

7 Charitable activities direct expenditure

	2020	2019
	£	£
Costs relating to Child and Family Care Services comprise:		
Staff costs	11,678	12,469
Consultancy fees	525	1,479
Brazil trip	0	0
	12,203	13,948

Costs relating to Thematic Advocacy & Campaign Services comprise:

Staff costs	0	0
Consultancy fees	0	0
	0	0

Costs relating to Research and Advisory Services comprise:

Staff costs	0	0
Consultancy fees	0	0
	0	0

8 Grants payable

	2020	2019
	£	£
Child and Family Care Services		
Grants paid to projects in Recife.	57,600	44,000

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

9 Support costs

	Child and Family Care Services	Thematic Advocacy & Campaigning Services	Research and Advisory Services	Total 2020	Total 2019
	£	£	£	£	£
Administration	3,236	0	0	3,236	3,562
Staff costs	0	0	0	0	0
	3,236	0	0	3,236	3,562

10 Governance costs

	2020 £	2019 £
Other governance costs comprise:		
Independent examination and accountancy	2,100	1,770
Insurance	639	658
	2,739	2,428

11 Trustees

None of the Trustees (or any persons connected with them) received any remuneration during the year, or any reimbursed expenses (2019: £nil).

12 Employees

Number of employees	2020 Number	2019 Number
The average monthly number of employees during the year was:	2	2
Employment costs	2020 £	2019 £
Wages and salaries	26,619	28,017
Social security costs	1,341	938
Pension	799	0
	28,758	28,955

No employees received annual remuneration above £20,000.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

13 Debtors	2020	2019
	£	£
Trade Debtors	656	656
Gift aid recoverable	3,362	1,029
Prepayments and accrued income	593	593
	<u>4,611</u>	<u>2,278</u>
14 Creditors: amounts falling due within one year	2020	2019
	£	£
Trade creditors	487	375
Other creditors	648	(24)
Accruals	1,007	2,007
	<u>2,142</u>	<u>2,358</u>
15 Creditors: amounts falling due after more than one year	2020	2019
	£	£
Other creditors	0	0
	<u>0</u>	<u>0</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

17 Analysis of net assets between funds

At the end of 2020, Happy Child International held restricted funds for specific a specific project in Brazil plus funds towards research.

Fund balances at 31 December 2020 are represented by:

Current assets

Creditors: amounts falling due within one year

Creditors: amounts falling due after more than one year

Un-Restricted funds £	Restricted funds £	Total £
10,751	8,100	18,851
(2,142)	0	(2,142)
0	0	0
<u>8,609</u>	<u>8,100</u>	<u>16,709</u>

18 Analysis of charitable funds

Fund balances at 1 January 2020

Income

Expenditure

Net movement in funds

Fund balance at 31 December 2020

Un-Restricted funds £	Restricted funds £	Total £
10,712	0	10,712
88,964	13,800	102,764
(91,067)	(5,700)	(96,767)
(2,103)	8,100	5,997
<u>8,609</u>	<u>8,100</u>	<u>16,709</u>

19 Statement of cash flows

Cash flows from operating activities:

Net cash provided by (used in) operating activities

Change in cash and cash equivalents in the reporting period

Cash and cash equivalents at the beginning of the reporting period

Cash and cash equivalents at the end of the reporting period

**Total funds
£**

3,448

3,448

10,792

14,239

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

20 Reconciliation of net movement in funds to net cash flow from operating activities

Net movement in funds for the reporting period (as per the statement of financial activities)	£ 5,997
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Adjustments for:

(Increase)/decrease in debtors	(2,333)
Increase/(decrease) in creditors	(216)

Net cash provided by (used in) operating activities	3,448
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21 Analysis of cash and cash equivalents

Cash in hand	£ 14,239
Total cash and cash equivalents	14,239
