

# Better Days

Classrooms for Malawi 2018 Annual Report

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Mission Statement

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**OUR MISSION**

The mission of Classrooms for Malawi is as set out in its Constitution, the sole aim of which is to provide a sustainable route out of poverty for the children of Malawi through the creation of a suitable learning environment conducive to improved attendance and academic performance.

*Out of poverty; into education*

Through directing funds to the heart of Malawian communities, we engage builders and local tradespeople to work in unison with the community to construct and refurbish centres of education to benefit their children, the future of Malawi.

Dear Friends,

It has been an honour for me to continue chairing our wonderful charity throughout the last year. Many amazing things have happened in this period and the prevailing impression I have is that not only have we managed to increase the number of classrooms built or renovated in Malawi but we have also been able to meet and overcome a range of unexpected challenges and at the same time, maintain a stable and secure base for our work. As always there are many friends and partners to acknowledge and thank for helping us with our continuing mission of striving to alleviate poverty through education for the children of Malawi.

Our partnership base grew to international proportions thanks to our friends from Kilsyth Boys Brigade who welcomed some of their team from New Zealand to Malawi. While this is one example of how our reach has extended beyond Malawi, we have also embraced partners and donors from mainland Europe and across Britain. Partnership is key to our success, enabling us to raise awareness and funds necessary to improve the educational environment of Malawian children. Our sincere thanks and gratitude to our 2018 partner and volunteer team members for the wonderful work they carried out and sponsored.

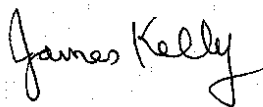
From 01 October 2018, we will become a Scottish Charity Incorporated Organisation (SCIO) under a new charity number (SC048091). We took this decision to make the charity more accountable and place us in a stronger position to address the changes and developments we hope to achieve in the months and years ahead.

I believe that as a charity we stand ready to take the next steps that are needed to further the aims of our beneficiaries. We hope that will lead to an even greater number of classrooms being built or renovated every year. We know that there is still a severe shortage of classrooms in Malawi which means still too many children are being taught in unacceptable conditions. This lessens their chances significantly of receiving the education they need to, not only lift them out of poverty but also, give them the framework and skills they need to improve their own lives and the lives of others in their communities.

Thank you to all who assist us in our quest. We hope that you will continue to support us on this journey in any way you can and together we will ensure sooner rather than later there are as many classrooms for Malawi as are needed to give every child in Malawi the opportunity they deserve.

However you support us, you're helping us build and renovate classrooms conducive to learning and for that we are extremely grateful. To find out more about fundraising, volunteering or building with Classrooms for Malawi, email [info@classroomsformalawi.org](mailto:info@classroomsformalawi.org) or visit [classroomsformalawi.co.uk](http://classroomsformalawi.co.uk)

Best wishes,



James Kelly  
Chairman  
Classrooms for Malawi

### **STRATEGIC REPORT**

Classrooms for Malawi's strategy is broadly consistent, yet varies year on year depending on the variable influences of international development and macroeconomic factors that we face. On the whole, however, we focus on four key priorities in order to deliver our mission in the most efficient and effective way, these are as follows:

- Continue our Malawi School Building Programme through engaging local volunteers and partnership organisations here in Scotland;
- Working across the educational landscape at home and in Malawi to promote Global Citizenship in the context of Malawi;
- To develop a faster, cheaper and more sustainable method of building classrooms in Malawi;
- Advancement of the operational development of Classrooms for Malawi to prepare for future charity growth.

Funding is the key to ensuring that our strategic aims are met. The map of Malawi below shows the regions where Classrooms for Malawi has delivered at least one of our strategic goals. We will continue our geographic expansion in the year ahead.

## **A CHARITY LIKE NO OTHER**

### **What makes us different?**

As a 100% volunteer led charity, Classrooms for Malawi has grown in tandem with our beneficiaries; both in age and number. Every year, we build and refurbish more and more classrooms in Malawi. By doing so we are providing a sustainable route out of poverty by creating a classroom environment conducive to learning, enhancing academic performance.

To provide a sustainable route out of poverty, we need to be at the top of our game. That means attracting and retaining supporters who share our vision, and running our charity in the most efficient way possible.

Classrooms for Malawi began with a handful of people sharing a common vision, sitting around a kitchen table; now, we have an office with volunteers. From that point onwards, with little grant funding, you have raised over one million pounds. We cannot thank you enough. Here's to the next million...

### **The next step**

We will continue to invest in smarter working principles. We will continue to nurture a culture of high performance in an environment that promotes education and we will provide volunteers and staff with the leadership and support they need to help win the fight against poverty.

Innovation is the key to the future. We cannot indefinitely continue to pass on increased costs to our partners and that is why we are working with some very exciting architects and builders to create a low-cost, eco-friendly, safe classroom prototype that we believe can be rolled out across Malawi and further afield to solve the developing world's classroom shortage.

### **Looking after your donations**

We take the responsibility of making every penny count very seriously. We continuously scrutinise our performance and measure impact to ensure our activities represent good value for money and that is why in the year to 30 September 2018, £0.94 in every pound was spent on our charitable activities.

### **Looking after our supporters**

We are hugely grateful to every one of our supporters and it is important that they continue to have confidence in us. We are an accountable and transparent organisation and, should you have any questions on this report or our charitable activities, please feel free to email them to [info@classroomsformalawi.org](mailto:info@classroomsformalawi.org) and we will promptly respond.

### **Looking after our organisation**

We are committed to making the most of your generous donations through careful planning and monitoring; ensuring we manage risk effectively and have robust assurance and compliance functions. We operate in challenging economic and regulatory times; however Classrooms for Malawi hold the children of Malawi and their educational needs at the forefront of everything we do. They are our number one priority and we will not stop in our pursuit of educational equality.

## FINANCIAL REVIEW



### How we manage the money you give us

Classrooms for Malawi are proud to inform you, our donors, that for the year ended 30 September 2018, **94p in every pound spent**, was spent on our charitable activities.

2017/2018 was an amazing year for Classrooms for Malawi. Thanks to our supporters' generosity and the huge commitment of our volunteers and staff, we brought in a record total of income of £211k. We had a surplus for the year of £37k due to this very strong income performance and we will use this money to grow our charitable expenditure even further in 2018/19, to enable us to build and renovate more classrooms than ever before.

As the number of Malawian children out of education rises, the demand for our work continues to grow and is set to increase significantly. The good news is that our operational locations are growing and we are able to reach more children than ever before. Thankfully, we also have an incredibly loyal and committed network of supporters who can help us achieve this.

Significantly, we are not dependent on government money and have limited, but growing income streams which makes your input all the more vital. Crucially, our volunteers and staff that work incredibly hard to ensure that we are fit for purpose and fulfilling an unmet need in Malawi.

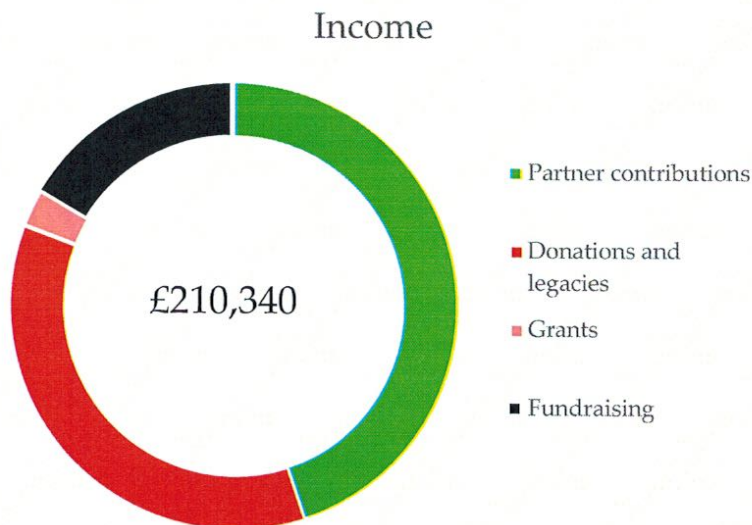
For 2018/19, we are planning to further increase our charitable expenditure as we develop our medium-term strategy.

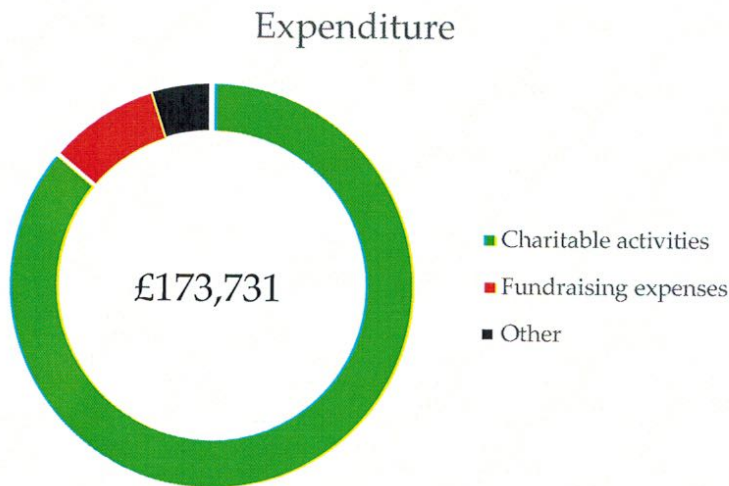
### How we raised our money

In the year ended 30 September 2018, Classrooms for Malawi generated £210,340 (2017: £195,897) in income thanks to the generosity of our partners and donors.

The majority of our unrestricted income was raised during our flagship Annual Ball which, for the second consecutive year raised over £30,000.

School, guild and corporate donations made up the majority of the project build donations.





#### How we spent our money

During the year, we embarked on another ambitious building programme renovating and constructing 18 classrooms (2016/17: 21 classrooms), enabling children to be educated in an environment conducive to learning.

Due to the number and scale of projects undertaken during the year to 30 September 2018, expenditure dropped by 20% to £173,731 (2017: £219,678).

This is indicative of a difficult fundraising environment however we will endeavour to work with our partner organisations to locate the funds to provide a sustainable route out of poverty for the children of Malawi.

#### Balance sheet

With very few capitalised assets, our balance sheet is almost entirely comprised of cash at bank restricted for projects currently in the final phase of completion, or work due to commence in the coming year.

Classrooms for Malawi believe that for the Trustees to maintain a dynamic, strategic approach on a voluntary basis, a full-time member of staff is required, and as such, we have designated a large proportion of free reserves for the purpose of employing a senior member of staff to drive the operational side of the charity.

#### RESERVES POLICY

As a dynamic organisation relying almost entirely on individual giving, we need to hold adequate reserves so that we can react to challenging economic times and unexpected opportunities in Malawi.

The Trustees consider it prudent for Classrooms for Malawi to maintain operational unrestricted reserves (defined as unrestricted net current assets) so that in the event of a substantial reduction in income, then UK office expenditure may be covered for a period of at least 6 months. The Trustees are confident that this policy is currently being met.

It is our aim to grow our reserves substantially in the next three to five years as will be required from the year-on-year growth that Classrooms for Malawi has experienced since its inception. At the same time, we always aim to maximise the money we can spend now to provide a sustainable route out of poverty.

#### INVESTMENT POLICY

The Charity's cash reserves are very modest and in view of the importance of having immediate access to liquid working capital, we utilise an interest-bearing current account. In view of the modest level of reserves, the Trustees take a very conservative view on investing liquid assets outside of the established banking system.



### **ETHICAL POLICY**

The Trustees have a duty under charity law to maximise Classrooms for Malawi's income and thereby maximise expenditure on our charitable objectives. However, it is essential we do not allow any third party to bring our name into disrepute. We have an ethics policy which makes sure ethical considerations are taken into account when considering opportunities, for example when deciding whether to accept or refuse a donation or participate in partnerships with other organisations.

### **ENVIRONMENTAL POLICY**

We recognise we have a responsibility to minimise our impact on the planet and use resources wisely. We are currently developing a corporate social responsibility policy, which, when ready, will incorporate an environmental policy and help to embed green initiatives across Classrooms for Malawi in a more consistent and accountable way.

### **GOING CONCERN**

The Trustees have reviewed the Charity's financial position. As a result of its review, the Trustees believe that the Charity is well placed to manage operational and financial risks successfully.

Accordingly, Classrooms for Malawi has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus, Classrooms for Malawi continues to adopt the going concern basis of accounting in preparing the annual accounts.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Governing document**

The charity is controlled by its Constitution, a deed of trust, and constitutes an unincorporated charity.

Classrooms for Malawi operates as a registered charity with the Office of Scottish Charity Regulator (OSCR) and does not consist of subsidiaries or other connected organisations.

#### **Board of Trustees**

The Board of Trustees has ultimate legal responsibility for our organisation and works to ensure good governance. The Board agrees the overall strategic direction and currently are responsible for the implementation of policy and for the management of the day-to-day running of the organisation.

The Board of Trustees is committed to ensuring that governance arrangements are effective and relevant. As part of that commitment and its desire for continuous improvement the Board will work to the Charity Governance Code as appropriate.

#### **Trustees' responsibilities**

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Financial statements are published on the organisation's website ([classroomsformalawi.org](http://classroomsformalawi.org)) in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Trustees' responsibilities also extend to the ongoing integrity of the financial statements.

#### **Recruitment and appointment of new trustees**

The Classrooms for Malawi Board of Trustees consists of a Chairperson; Treasurer; Marketing Officer, Grants Officer and a Fundraising Officer. The Board reserves the right to invite members of the charity to Board Meetings and should the Board desire, add Trustees with ratification at the AGM. The diverse age and background of the Board ensures a depth of knowledge and skills that will continue to enable the charity to thrive over the coming years. In keeping with good governance practice, all Trustees retire for re-election at the AGM.

#### **Management**

The Board's principal responsibilities include determining and implementing the overall strategy, policies, direction and goals of Classroom for Malawi; protecting and promoting the identity and values of the charity; and fulfilling out statutory responsibilities. Where necessary, the Board delegates certain functions to employees and volunteers.

#### **Key management remuneration**

The charity is managed by its Trustees, who work on a voluntary basis and receive no salary or remuneration.

#### **Gender pay reporting**

During the year ended 30 September 2018, Classrooms for Malawi employed one part-time member of staff and is a proud supporter of the Living Wage. As such, there is no disparity between gender pay within our organisation.

### **RISKS**

#### **Principal risks and uncertainties**

Responding to the educational needs of the children of Malawi involves financial and operational risk taking. Classrooms for Malawi takes risk management very seriously and has a clear organisational policy and associated framework and procedures in place to ensure risks are anticipated and mitigated effectively and consistently.

From a financial perspective, the Charity manages its risk by keeping a prudent level of reserves in place and ensuring that expenditure is always matched by income. This is monitored very closely and projects are not started unless there is every reasonable expectation that money will be in place throughout the lifespan of the project. Our cash reserves are held with reputable banks and controls are in place to reduce the possibility of theft or fraud.

Health and safety are of paramount concern. Whilst in the UK this risk is easily managed, the nature of the work we undertake in Malawi by our employees, volunteers and visitors means that our policies

and safeguards are more challenging to implement. We continue to focus and monitor this area annually in a bid to improve our processes.

#### **Risk framework and controls**

During 2018, we undertook a review of our core risk management processes to ensure their effectiveness. A revised risk policy was signed off by the Board of Trustees, with a strengthened procedure put in place.

Our wider assurance framework includes our in-depth policies on risks, incident reporting, anti-fraud, bribery and corruption, management of complaints and grievances, safeguarding and raising concerns (whistleblowing). These policies ensure that, where incidents give rise to risks, these are identified, acted on swiftly and reported according to our regulatory responsibilities.

#### **Roles and responsibilities**

Our Board of Trustees is responsible for ensuring that Classrooms for Malawi has robust and effective risk management processes and assurance functions in place.

#### **Principal risks and uncertainties faced by Classrooms for Malawi, and mitigating actions**

Risk	Mitigating Factors
Operational Safeguarding	In light of the disturbing revelations in the third sector this year, Classrooms for Malawi has implemented a formal, zero-tolerance, safeguarding policy. Safeguarding and the children's welfare has always been at the forefront of our operations, however we have now formalised it within our organisation through effective mitigation procedures.
Board of Trustees commitments	With a dedicated, voluntary Board of Trustees, Classrooms for Malawi operates on the basis that the Trustees can dedicate the time required to the Charity. With personal and work commitments, this can be difficult. As an acknowledgement of this, the Board have designated funds for the employment of full-time CEO to take the charity to the next level, one which with the best intentions in the world cannot be achieved on a purely voluntary basis. The appointment will take place in the next financial year.
Dwindling volunteer numbers	At the heart of the Charity's success are the volunteers without whom the Charity would cease to exist. The retention and attraction of volunteers is key to the future success of the charity and as such we have dedicated two Trustees who take responsibility for the engagement of those who give their time generously and freely.
Malawian resource management	Classrooms for Malawi has engaged in projects the length and breadth of Malawi. We now have a bank of different contractors who can take-over tasks should one building company find itself in difficulty. Having a number of different builders saves on material distribution costs which are passed on to our partners enabling more money to be spent on the projects themselves. Additionally, an intrinsic difficulty in international development for a charity the size of ours is the management of projects on the ground. As a result, we have contracted an In-Country Director to ensure that operations on the ground run smoothly.

<b>Financial</b>	
Decreasing donations	<p>Industry wide, individual giving is on a continual decline. With very little grant funding, we rely on engaging current donors and attracting new ones.</p> <p>The Classrooms for Malawi Annual Ball continues to be the highlight of our fundraising year, however we have seen a slight decline in attendees and subsequently overall donations. There is a direct correlation between the amount raised at the Annual Ball and the Classrooms for Malawi volunteer team, therefore we will continue to implement a strategy that encourages more volunteer team members and ensure that the Annual Ball is the fundraising highlight of the year.</p>
Lack of grant funding	<p>In order to match the ambitions of the charity in providing a sustainable route out of poverty through the provision of a suitable learning environment, we need to attract more funds to meet the charity's ambition. Grant funding is the only way to do this. Therefore, we have and will continue to step up our grant application strategy to endeavour to deliver a better classroom environment for the children of Malawi.</p>
Increasing project costs	<p>Malawian building regulation standards are changing and macro-economic factors such as fuel costs are also increasing, therefore we need to mitigate cost increases as much as possible to ensure more funding can be delivered to the heart of Malawian communities rather than absorbed in regulation and taxes, whilst maintaining the standard and safety of our builds. This means that we will continue to lobby the Malawian government and authorities to improve building regulation standards whilst ensuring that what we do is not adversely impacted.</p>
Transparency	<p>Financial transparency is of paramount importance to Classrooms for Malawi. Without transparency, people lose trust in where their money is being spent, therefore we work closely with our Independent Examiners to ensure that all reasonable steps are taken to disclose what and how our funds are dispersed.</p>
<b>External</b>	
Brexit causes the value of the pound to drop resulting in increased project costs which partners cannot meet	<p>Due to the relatively low free reserves that we currently hold, securing a hedge on foreign currency is not an efficient use of time or money. We have a base of proud partners with a common goal of building and renovating as many classrooms as possible. We are confident that we can pool our partner's resources to cover the increased costs, which may result in less projects being undertaken but delivery of a consistently high standard of build.</p>

### **SAFEGUARDING AND CODE OF CONDUCT**

We take our responsibility to safeguard all people who come into contact with Classrooms for Malawi, including our own staff and volunteers, extremely seriously.

As an organisation with both a UK and an international purpose, Classrooms for Malawi will not tolerate any sexual harassment or misconduct. We are committed to promoting an organisational culture in which all staff and volunteers feel safe to speak up and we address all cases of sexual harassment and misconduct in line with our policies and commitments.

Moving forward, we will have a comprehensive range of checks in place to safeguard staff, volunteers and the people we help. Our safeguarding policies can be found on our website.

Our policies clearly state that all safeguarding concerns are logged, investigated and escalated as appropriate.

Our practice is to report incidents to the relevant authorities at the time these occur, including to OSCR. This includes referrals made to the police and other statutory authorities. To date, we have received no such reports and no referrals have been made.

Our safeguarding procedures have been reviewed and updated in the past 12 months.

### **CHARITIES (PROTECTION AND SOCIAL INVESTMENT) ACT 2016 STATEMENT**

The charities are not required to report under this Act, as Classrooms for Malawi is a Scottish Charity. We do so for the sake of readers of these accounts from England and Wales, and since we believe this represents best practice with regard to disclosing our approach to fundraising, since this is such a significant source of income.

#### **Fundraising approach**

We rely on a number of different fundraising approaches in order to raise funds cost-effectively from a range of sources, raising awareness of our work and allowing supporters to contribute in ways that are most appropriate for them. This includes: fundraising face-to-face and over the telephone; through letters, emails, and online; from events and community fundraising; from philanthropists, trusts, foundations and corporate partners.

#### **Fundraising standards**

We are members of the Institute of Fundraising (IOF), and as such abide by the Code of Fundraising. We abide by the Fundraising Regulator's Fundraising Promise, and strive to ensure our fundraising is open, honest, legal and respectful. In line with our undertaking signed with the Information Commissioner's Office (ICO), we have moved to an 'opt-in' model of freely given, specific, informed, and unambiguous.

#### **Fundraising on our behalf**

We engage supporters of Classrooms for Malawi to be advocates of the charity, and to speak to potential supporters. As a result of these conversations, many are inspired to start a regular gift, generating significant income that we direct to providing a suitable learning environment for the children of Malawi.

Whilst we encourage fundraisers to act on our behalf, and operate with the integrity and accountability that a charity such as Classrooms for Malawi deserves, we are not responsible for any actions that may bring the Charity's name into disrepute. To this end, we ask that all fundraisers act in a transparent manner and seek advice from official personnel when required.

#### **Monitoring of fundraising activities and protecting people in vulnerable circumstances**

We have policies in place, endorsed by our Board of Trustees which govern our fundraising activities, whether they are carried out internally or through our funders. We have a comprehensive quality control framework in place to monitor the behaviour our fundraisers, as well as the conversations they have on our behalf with both supporters and members of the public. This includes the monitoring of outcomes, complaints and remedial actions. Our aim is to ensure that potential supporters feel informed, genuinely thanked and inspired by their conversation, regardless of its outcome.

We are committed to ensuring that we treat the public sensitively and respectfully at all times, taking special care to protect people who may find themselves in vulnerable circumstances. Our fundraising

policy, signed by all Classrooms for Malawi volunteers, contains a section dedicated to making fundraisers aware of the signs of potential vulnerability in anyone they speak to on our behalf, as well as the steps we expect them to take on the rare occasions when they do have concerns.

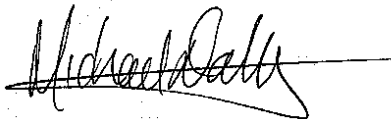
This approach has been developed in consultation with safeguarding staff, and is in line with the requirements of the Charities (Protection and Social Investment) Act 2016, as well as with the IOF's Treating Donors Fairly Guidance, and the Direct Marketing Association's Guidelines for Dealing with Vulnerable Consumers.

### **Complaints**

We have a robust and well-established complaints procedure. In 2018, we received no complaints from members of the public about our fundraising activities.

We have nothing to report in respect of failures and/or breaches.

On behalf of the Trustees,

A handwritten signature in black ink, appearing to read 'Michael Daly', with a horizontal line extending to the right from the end of the signature.

Michael Daly  
Trustee  
Classrooms for Malawi

**INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF CLASSROOMS FOR MALAWI**

I report on the accounts for the year ended 30 September 2018 set out on pages fourteen to twenty-six.

**Respective responsibilities of trustees and examiner**

The charity's Trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The charity's Trustees consider that the audit requirement of Regulation 10(1)(a) to (c) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under Section 44(1)(c) of the Act and to state whether particular matters have come to my attention.

**Basis of the independent examiner's report**

My examination was carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. 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 I do not express an audit opinion on the view given by the accounts.

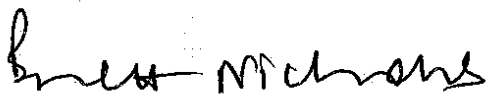
**Independent examiner's statement**

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

1. which gives me reasonable cause to believe that, in any material respect, the requirements
  - to keep accounting records in accordance with Section 44(1)(a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations; and
  - to prepare accounts which accord with the accounting records and to comply with Regulation 8 of the 2006 Accounts Regulations

have not been met; or

2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.



Brett Nicholls CA (NZ) FCIE  
Association of Charity Independent Examiners  
Brett Nicholls Associates  
63 Ruthven Lane  
Glasgow  
G12 9BG

20 February 2019

Statement of Financial Activities for the Year Ended 30 September 2018

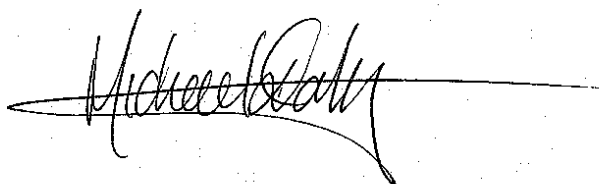
	Notes	General Funds £	Restricted Funds £	2018 Total Funds £	2017 Total Funds £
<b>INCOME FROM</b>					
Donations and legacies	2	54,509	34,907	89,416	67,109
<b>Charitable activities</b>	5				
Building projects in Malawi		14,775	70,860	85,635	89,128
Educational materials in Malawi		-	650	650	500
Other trading activities	3	34,537	-	34,537	39,159
Investment income	4	102	-	102	1
<b>Total</b>		<b>103,923</b>	<b>106,417</b>	<b>210,340</b>	<b>195,897</b>
<b>EXPENDITURE ON</b>					
Raising funds	6	13,096	2,503	15,599	16,744
<b>Charitable activities</b>	7				
Building projects in Malawi		54,537	99,945	154,482	202,434
Educational materials in Malawi		-	3,650	3,650	500
<b>Total</b>		<b>67,633</b>	<b>106,098</b>	<b>173,731</b>	<b>219,678</b>
<b>Net income/(expenditure)</b>		<b>36,290</b>	<b>319</b>	<b>36,609</b>	<b>(23,781)</b>
<b>RECONCILIATION OF FUNDS</b>					
Total funds brought forward		11,639	7,593	19,232	43,013
<b>Total funds carried forward</b>		<b>47,929</b>	<b>7,912</b>	<b>55,841</b>	<b>19,232</b>



Balance Sheet as at 30 September 2018

	Notes	General Funds £	Restricted Funds £	2018 Total Funds £	2017 Total Funds £
<b>FIXED ASSETS</b>					
Tangible assets	12	314	-	314	472
<b>CURRENT ASSETS</b>					
Debtors	13	218	-	218	4,185
Cash at bank and in hand		54,189	7,912	62,101	28,419
		54,407	7,912	62,319	32,604
<b>CREDITORS</b>					
Amounts falling due within one year	14	(6,792)	-	(6,792)	(13,844)
Net current assets		47,615	7,912	55,527	18,760
Total assets less current liabilities		47,929	7,912	55,841	19,232
Net assets		47,929	7,912	55,841	19,232
<b>FUNDS</b>					
15					
<b>Unrestricted funds:</b>					
General reserves				17,115	11,639
Designated reserves				30,814	-
<b>Restricted funds</b>					
				7,912	7,593
<b>Total funds</b>				55,841	19,232

The financial statements were approved by the Board of Trustees on 20 February 2019 and were signed on its behalf by:



Michael Daly  
Trustee  
Classrooms for Malawi

Cash Flow Statement for the Year Ended 30 September 2018

**RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	Notes	2018 £	2017 £
Net income for the year		36,609	(23,781)
Adjusted for:			
Depreciation charges	13	158	158
Decrease/(increase) in debtors	14	3,967	(3,942)
(Decrease)/increase in creditors: amounts falling due within one year	15	(7,052)	11,682
<b>Net cash provided by operating activities</b>		<b>33,682</b>	<b>(15,883)</b>

**STATEMENT OF CASH FLOW**

	2018 £	2017 £
<b>Cash flow from operating activities</b>		
Net cash provided by operating activities	33,682	(15,883)
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	-	(200)
<b>Net cash provided by investing activities</b>	-	(200)
<b>Change in cash and cash equivalents in the reporting period</b>	<b>33,682</b>	<b>(16,083)</b>
Cash and cash equivalents at the beginning of the reporting period	28,419	44,502
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>62,101</b>	<b>28,419</b>

## 1. ACCOUNTING POLICIES

### a) Scope and basis for the financial statements

The financial statements have been prepared under the historical cost convention, and are in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the SORP), FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and UK Generally Accepted Accounting Practice.

The financial statements have been prepared on a going concern basis as discussed in the Trustees' Report at page 7.

Classrooms for Malawi constitutes a public benefit entity as defined by FRS 102.

The preparation of the financial statements in accordance with FRS 102 requires the Trustees to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement, or areas where assumptions or estimates were significant to the financial statements are described at (j) below.

### b) Fund Accounting

General funds are unrestricted funds that are available for use at the discretion of the Trustees in furtherance of the general charitable objectives, and that have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside for a particular purpose by the Trustees. The aim of each designated fund is set out in note 16.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for a particular purpose. Such donations are principally for international building and renovation purposes. Costs are charged against the specific fund in line with donor wishes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

### c) Incoming resources

All income is accounted for when Classrooms for Malawi has entitlement to the funds, the amount can be quantified and receipt of the funds is probable. Where income is received in advance of providing goods and/or services, it is deferred until Classrooms for Malawi becomes entitled to that income.

Donations include all income received by the charity that is made on a voluntary basis and is not conditional on delivery of certain levels or volumes of service or supply of charitable goods. This will include grants from institutions, corporates and major donors that provide core funding, or are of a general nature.

Gifts for onward distribution are included at fair value and are recognised as income and stock when they are received from donors and in expenditure when they are distributed to beneficiaries. Gifts in kind include educational materials.

Gifts in kind donated for resale are included at fair value and are recognized as income and stock when they are sold.

Gifts in kind also include campaigning and fundraising goods and services, all recognized when received or performed. These have been valued by officers of Classrooms for Malawi either at market value or, where a market value is not available, based on appropriate estimates.

Our volunteers play a vital role in the activities of the charity, including as community fundraisers and ambassadors. However, in accordance with the SORP, no monetary value has been attributed to their contribution and been included in these accounts.

Grants from agencies and foundations, corporates and trusts have been included as 'Income from charitable activities' where these grants specifically outline the goods and services to be provided to beneficiaries.

For these performance related grants, in the absence of specific milestones to determine entitlement, income is recognised to the extent that resources have been committed to the specific programme, as this is deemed to be a reliable estimate of the right to receive payment for the work performed. In this case, cash received in excess of expenditure is included as a creditor (as deferred income) and expenditure in excess of cash included as a debtor (as accrued income).

All restricted project funds are held in separate bank accounts, and any interest income arising on such funds held is treated as unrestricted to offset international bank charges.

**d) Resources expended and basis of allocation of cost**

All expenditure is accounted for on an accrual basis and has been classified under headings that aggregate all costs related to the category.

Expenditure on raising funds is that incurred in seeking voluntary income and does not include the costs of disseminating information in support of the charitable activities.

Expenditure on charitable activities are costs incurred directly and specifically in the furtherance of Classrooms for Malawi's charitable objectives, along with associated support costs.

Support costs are those which provide indirect support to front-line output provision; examples include, but are not limited to, staff and governance costs. Support costs not attributable to single activity have been allocated on basis consistent with identified cost drivers for that cost category such as staff time and expenditure.

**e) Tangible fixed assets and depreciation**

All expenditure of a capital nature on project development overseas is expensed as incurred, as are tangible items of expenditure in the UK more than £100.

Depreciation is provided from the time assets are available for use at rates calculated to write off the costs on a straight-line basis over their useful economic lives as follows:

- Computer equipment and software      four years

**f) Financial instruments**

Financial assets and financial liabilities are recognised when Classrooms for Malawi becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). Classrooms for Malawi 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 measure at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where Classrooms for Malawi 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 estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

**g) Provisions**

Provisions for liabilities are recognised when Classrooms for Malawi has a legal or constructive financial obligation, for which a measurable future outflow of funds is probable.

**h) Foreign currencies**

Monetary assets and liabilities are translated into sterling at the exchange rate ruling on the balance sheet date.

Foreign exchange gains are recognised as other income and foreign exchange losses are recognised in the consolidated statement of financial activities within the relevant charitable activity expenditure for the period in which they are incurred.

**i) Taxation**

Classrooms for Malawi is a registered charity and is thus exempt from tax on its charitable activities. The charity also falls below the VAT registration threshold for income from taxable supplies and is therefore not registered for VAT.

**j) Accounting estimates and judgments**

In the application of the charity's accounting policies described above, the Trustees are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates, judgements and assumptions are made based on a combination of past experience, professional expert advice, and other evidence that is relevant to the particular circumstance.

The following areas are considered to involve the critical judgements and sources of estimation uncertainty when applying the charity's accounting policies:

Cost allocation

Costs not attributable to a single activity are allocated or apportioned to activities on a basis consistent with identified cost drivers for that cost category. This methodology requires a judgement as to what are the most appropriate bases to use to apportion support costs; these are reviewed annually for reasonableness.

**2. DONATIONS AND LEGACIES**

	2018	2017
	£	£
Donations	26,510	47,229
Grants	5,700	-
Team donations	19,325	19,880
In memorium	29,634	-
Contributions to cost	8,247	-
	<u>89,416</u>	<u>67,109</u>

Grants received, included in the above, are as follows:

	2018	2017
	£	£
Isabella Memorial Trust	5,000	-
Other	700	-
	<u>5,700</u>	<u>-</u>

**3. OTHER TRADING ACTIVITIES**

	2018	2017
	£	£
Fundraising events	34,537	39,159
	<u>34,537</u>	<u>39,159</u>

**4. INVESTMENT INCOME**

	2018	2017
	£	£
Bank interest	102	1
	<u>102</u>	<u>1</u>

**5. INCOME FROM CHARITABLE ACTIVITIES**

	2018	2017
Activity	£	£
Partnership contributions		
Building projects in Malawi	85,635	89,128
Educational materials in Malawi	650	500
	<u>86,285</u>	<u>89,628</u>

**6. RAISING FUNDS**

	2018	2017
	£	£
Events	10,854	13,858
Marketing and advertising	157	766
Subscriptions	485	817
Other fundraising activities	4,103	1,303
	<u>15,599</u>	<u>16,744</u>

**7. CHARITABLE ACTIVITIES COSTS**

	<b>Direct costs (see note 8) £</b>	<b>2018 Total £</b>
Building projects in Malawi	154,482	154,863
Educational materials in Malawi	3,650	3,650
	<u>158,132</u>	<u>158,513</u>

**8. DIRECT COSTS OF CHARITABLE ACTIVITIES**

	<b>Notes</b>	<b>2018 £</b>	<b>2017 £</b>
Project costs		104,453	150,268
Project support costs		19,325	21,618
Staff and contractor costs	9	25,879	24,233
Governance		1,050	870
General management		1,985	1,793
Premises and facilities		5,224	3,994
Information technology		216	158
		<u>158,132</u>	<u>202,934</u>

In the year ended 30 September 2018, Classrooms for Malawi volunteer team members made contributions of £19,325 (note 2) towards their personal cost of travel.

**9. STAFF COSTS**

	2018	2017
a)	£	£
Wages and salaries	8,726	9,282
Social security costs	127	161
	<u>8,853</u>	<u>9,443</u>

The average number of employees during the year was as follows:

	2018	2017
Part time	<u>1</u>	<u>1</u>

	2018	2017
b)	£	£
Non-payroll costs	<u>17,026</u>	<u>13,290</u>

Non-payroll costs relate to the remuneration of the contracted In-Country Director based in Malawi.

No employee received emoluments in excess of £60,000

**10. INDEPENDENT EXAMINER'S REMUNERATION**

	2018	2017
	Total	Total
	£	£
Independent examination	<u>1,050</u>	<u>870</u>
	<u>1,050</u>	<u>870</u>

**11. TRUSTEES REMUNERATION AND BENEFITS**

There were no Trustees remuneration or other benefits for the year ended 30 September 2018 (2017: nil).

Trustees reimbursed expenses for the year ended 30 September 2018 were £983 (2017: nil).

	2018	2017
	£	£
Fundraising expenses	431	-
Office expenses	30	-
Team expenses	398	-
Travel expenses	123	-
	<u>982</u>	<u>-</u>



**12. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	General Funds £	Restricted Funds £	Total Funds £
<b>INCOME FROM</b>			
Donations and legacies	13,983	53,126	67,109
<b>Charitable activities</b>			
Building projects in Malawi	-	89,128	89,128
Educational materials in Malawi	-	500	500
Other trading activities	38,553	606	39,159
Investment income	-	1	1
<b>Total</b>	<b>52,536</b>	<b>143,361</b>	<b>195,897</b>
<b>EXPENDITURE ON</b>			
Raising funds	16,744	-	16,744
<b>Charitable activities</b>			
Building projects in Malawi	34,050	168,384	202,434
Educational materials in Malawi	-	500	500
<b>Total</b>	<b>50,794</b>	<b>168,884</b>	<b>219,678</b>
<b>Net income/(expenditure)</b>	<b>1,742</b>	<b>(25,523)</b>	<b>(23,781)</b>
Transfers between funds	(33,116)	33,116	-
<b>RECONCILIATION OF FUNDS</b>			
Total funds brought forward	43,013	-	43,013
<b>Total funds carried forward</b>	<b>11,639</b>	<b>(7,593)</b>	<b>19,232</b>

**13. TANGIBLE FIXED ASSETS**

	Computer Equipment	
	2018	2017
	£	£
<b>Cost</b>		
At 01 October	630	430
Additions	-	200
<b>Depreciation</b>		
At 01 October	158	-
Charge for the year	158	158
At 30 September	316	158
<b>Net book value</b>		
At 30 September	314	472

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade debtors	-	3,769
Other debtors	218	416
	<u>218</u>	<u>4,185</u>

In addition to the amounts shown in the Statement of Financial Activity, there were £16,650 of pledged donations from partners towards building projects in Malawi. While the Trustees are confident that the pledged donations will be received, they are not recognised as income in these accounts for the sake of prudence.

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade creditors	5,653	11,985
Other creditors	1,139	1,859
	<u>6,792</u>	<u>13,844</u>

**16. MOVEMENT IN FUNDS**

	Balance 01 October 2017	Income	Expenditure	Transfers	Balance 30 September 2018
	£	£	£	£	£
<b>Unrestricted funds</b>					
General funds	11,639	73,109	(67,633)	-	17,115
Designated funds	-	30,814	-	-	30,814
	<u>11,639</u>	<u>103,923</u>	<u>(67,633)</u>	<u>-</u>	<u>47,929</u>
<b>Restricted funds</b>					
Building projects in Malawi	7,593	106,417	(106,098)	-	7,912
<b>Total funds</b>	<u>19,232</u>	<u>210,340</u>	<u>(173,731)</u>	<u>-</u>	<u>55,841</u>

In 2017, the trustees approved £30,000 to be designated for expenditure on strategic initiatives.

**Comparatives for movement in funds**

	Balance 01 October 2016	Income	Expenditure	Transfers	Balance 30 September 2017
	£	£	£	£	£
<b>Unrestricted funds</b>					
General funds	43,013	52,536	(50,794)	(33,116)	11,639
<b>Restricted funds</b>					
Building projects in Malawi	-	143,361	(168,884)	33,116	7,593
<b>Total funds</b>	<u>43,013</u>	<u>195,897</u>	<u>(219,678)</u>	<u>-</u>	<u>19,232</u>

**17. FUTURE CAPITAL COMMITMENTS**

The Charity has other ongoing building commitments relating to projects in Malawi which amount to £45,988 over the next twelve months.

**18. RELATED PARTY DISCLOSURE**

There were no material related party transactions for the year ended 30 September 2018 (2017: nil).

**19. POST BALANCE SHEET EVENTS**

As of 01 October 2018, Classrooms for Malawi (SC043390) became a Scottish Charitable Incorporated Organization (SCIO), Classrooms for Malawi SCIO (SC048091) and will continue to trade as Classrooms for Malawi. All charitable aims and objectives remain the same; all assets, liabilities and obligations undertaken transferred to the SCIO at that date.

## **LEGAL AND ADMINISTRATION**

### **Trustees**

James Kelly (Chairperson)

Michael Daly (Treasurer)

Andrew Vincent (Head of Fundraising and Marketing)

Patricia Duffy (Head of Community Engagement)

Seonaid Stevenson (Head of Grants and Trusts)

### **Principal Address and Contact Details**

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### **Registered Charity Number**

SC043390

### **Independent Examiner**

Brett Nicholls Associates

63 Ruthven Lane

Glasgow

G12 9BG

### **Bankers**

Barclays Plc.

12 Churchill Place

Canary Wharf

London

EH 14 5HP

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