



Company number 02250706

Charity number 1117014

**International Youth Hostel Federation
(Operating as Hostelling International)**

**Annual Report and Financial Statements for the
Year Ended 31 December 2020**

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REPORT OF THE BOARD OF TRUSTEES

ABOUT HOSTELLING INTERNATIONAL

International Youth Hostel Federation (operating as Hostelling International and referred to throughout this report as “HI”) is a registered charity and non-governmental, not-for-profit organisation representing sixty Member Associations and two Associate Organisations from all over the world. It is one of the world’s largest youth membership organisations and it is recognised by UNESCO (United Nations Educational Scientific and Cultural Organisation).

HI is the only global network of Youth Hostel Associations. Its nearly 3.6 million members have a choice of over 3,000 hostels worldwide, all of which work with a set of internationally assured quality standards. HI’s membership savings programme also gives access to thousands of travel-related savings.

The history of Hostelling International

The concept of hostelling was founded in Germany by Richard Schirrmann, a school teacher, in 1909.

He came up with the idea of a network of youth hostels when he and his students were caught in a thunderstorm during an excursion and were offered accommodation in a school. The first official youth hostel opened in Burg Altena in 1912, after which the youth hostel movement grew rapidly. By the summer of 1931 there were 12 Youth Hostel Associations in Europe, operating a total of 2,600 hostels.

The International Youth Hostel Federation was founded at the first International Conference in Amsterdam, the Netherlands, in 1932 where Richard Schirrmann was elected the first President.

The 100th anniversary was celebrated all over the network in 2009.

Objects

The purpose of the charity is defined by our mission statement:

“To promote the education of all young people of all nations, but especially young people of limited means, by encouraging in them a greater knowledge, love and care of the countryside and an appreciation of the cultural values of towns and cities in all parts of the world, and as ancillary thereto to provide hostels or other accommodation in which there shall be no distinction of origins, nationality, colour, religion, sex, class, or political opinions and thereby to develop a better understanding of their fellow men, both at home and abroad.”

In other words: we exist to give young people the chance to discover the world, its cultures and fellow people in order to build a more understanding, tolerant, peaceful, environmentally considerate world.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Vision and Strategy

In 2015 the Board of Trustees and Member Associations approved the vision for HI:

“A world class charitable organisation with an international mind-set; valued by National Associations for its representative work in promoting the hostelling mission and strengthening the network”

The first five-year strategy to deliver this vision ran up to 2020. During 2019 the Board and the Member Associations were working on a follow-on strategy for the next five years up to 2025. A draft proposal was created and, after refinement, was due to be voted on at the 2020 HI conference. Unfortunately, the pressures and uncertainties brought on by the COVID-19 pandemic meant that the project was put on hold.

During the first nine months of 2020, the strategic thinking of the Board and HI Office was concentrated on surviving the pandemic including a restructure to a considerably smaller organisation. Once the restructure was largely implemented, the emphasis shifted to a short-term strategy based around the recovery of both HI and the federation. It was concluded that to be relevant in the future and to achieve financial sustainability, our strategic themes should be to:

- Look at ways to change and improve our current funding model to ensure financial sustainability and to continue to streamline our operations and costs
- Structure our network relations to increase collaboration, share information and good practices and ensure a bottom-up approach
- Develop a strategy and vision for HI and the network, ‘Our Value Proposition’, to maximise the positive impact of our charitable objective, increase value to our members, and ensure financial sustainability *(based on, but updated from, the work undertaken pre pandemic)*.

To advance the themes, the Board of Trustees approved the HI Transition Plan for 2021 that focuses on 5 relevant areas. The plan has been discussed, welcomed, and supported by the network.

- Financial sustainability
- Network collaboration
- Quality and sustainability
- Brand Awareness
- Future of HI.

OBJECTIVES AND ACTIVITIES

HI achieves its mission through its Member Associations, and Direct Licensed Hostels. The HI network has 60 Member Associations with over 3,000 hostels and 48 Direct Licensed Hostels in 75 countries / areas, ensuring there is a safe, low-cost base from which young people can explore the world.

HI promotes sustainable hostelling and continues to offer to its Member Associations, grants that improve the sustainability credentials of the network. In addition, the HI-Q&S (quality and standards)

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

programme seeks to optimise the customer experience and continuous improvement of hostel operations.

Our website www.hihostels.com offers a single place for travellers to discover and book hostels of the HI network. Before the COVID-19 pandemic, approximately 1,300 hostels were bookable online with the potential to provide an estimated 30 million overnight stays per year. In Spring 2021, the number of bookable hostels is down to 1,247.

The Board of Trustees continue to have due regard to the Charity Commission in England and Wales's guidance on public benefit. Through careful management of HI membership income, bookings income and existing funds, HI provides a public benefit by promoting and facilitating international travel for young people through programmes and safe, affordable and sustainable youth hostels.

ACHIEVEMENTS AND PERFORMANCE IN 2020

Hostelling International operates with an annual business plan. The business plan was designed by the Senior Leadership Team in consultation with Member Associations and included projects, targets and actions to achieve the mission, vision and strategies. However, when the COVID-19 pandemic took hold in March 2020, continuing with the business plan was no longer a viable option.

Following the onset of the COVID-19 pandemic, the Board's focus shifted from delivering the business plan to managing HI's financial crisis and ensuring HI was able to survive the pandemic and help lead the recovery of the hostelling movement. During 2020 the Board has undertaken several measures to stabilise its situation and provide a foundation for re-building post pandemic:

- A major component of the Board's work in 2020 has been to enhance communication with the network through the establishment of regular video calls with subsets of the Member Associations. These calls have been equally important to keep an eye on how the Member Associations have been impacted by the pandemic and to keep them informed of and involved with the work HI is undertaking to take hostelling to a strong future.
- The charity has taken advantage of the UK government's Coronavirus job retention scheme to allow it to furlough most of the staff for much of the year and properly consider the level of staffing it would be able to afford going forwards.
- In March, almost all of the charity's investments were sold to avoid further erosion of their value and to ensure the organisation had available cash to pay for its expenditure commitments.
- In September, the Board reluctantly concluded that the organisation would need to be significantly downsized for the foreseeable future and over half of the staff were made redundant including the CEO.
- Costs were reduced wherever possible. In particular, all business travel ceased and those staff still working were asked to do so from home.

The Board have changed their meeting frequency from quarterly to first fortnightly but now monthly to ensure they are able to quickly react to changing circumstances. All of the trustees are actively involved in delivering a series of projects linked to the Transition Plan.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Following the restructure, HI has rebranded its activities under two umbrella headings; 1. Network and Brand, and 2. Web Services. Whilst no prior year activities were discontinued, these new headings better reflect the two key areas of focus for the Transition Plan.

Network and Brand

Due to COVID-19 breaking out in March 2020, key projects planned for the year were put on hold, staff were furloughed and only the highest priority deliverables were progressed.

A material reduction in bookings experienced by hostels in the HI Network during the COVID-19 pandemic meant that many had to close, and emergency measures had to be put in place to protect hostels and staff. Some of our Member Associations took the opportunity to make hostels available to governments, to provide accommodation for the homeless, refugees, victims of domestic violence and abuse, and key workers such as medical and security staff. Some hostels were made available for long term stays for people such as students, who were unable to return to their home country due to the restrictions.

HI continued to support the global network by creating support groups on the extranet, Workplace, which allowed CEOs and key staff to discuss hostel closures and how to tackle the new governmental restrictions and rules for accommodation providers. We shared information on the situation in each country and advice on which hostels were open, and whether staff were working.

Some network events, such as the Marketing Forums and the Operations & Sustainability forum had to be cancelled. However, the biennial International Conference and General Meeting, as required by charity and company law, was held online in September 2020. Holding the meeting helped unite the network through this challenging period.

Marketing activities came to a full stop in April 2020 when social media accounts and newsletter activities were put in hibernation. However, in December 2020, we managed to reopen social media channels and resume sending the monthly newsletter.

Thanks to the sustainability donations collected on bookings made in 2019, we were able to run our HI Sustainability Fund in 2020, offering grants totalling £12,758 to four Member Associations for projects helping to reduce CO2 emissions and the carbon footprint of our hostels.

Another success has been the continued roll-out of the HI-Q&S programme (quality and standards). Since January 2020; 6 new hostels in Slovenia and Finland have joined the HI Q&S programme, training and audits were carried out for 19 hostels in Australia and a further 19 hostels have been newly HI-Q&S certified in Brazil and Portugal. Excitingly, HI-Q&S has been recognised by the Green Scheme of Slovenian Tourism in February 2021.

Web Services

During the COVID-19 pandemic, global and even domestic travel became virtually impossible as borders were closed, and national lockdowns were imposed. Hostel accommodation bookings were especially

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

badly affected as communal living is a key feature of hostels but not acceptable in light of the requirements to maintain social distancing. This led to the almost total collapse of bookings through HI's online booking site, the commission from which usually accounts for over half of HI's income.

HI continued to operate web services for Hosted Affiliates, Affiliates and Digital Membership users. Customer services continued, which included cancelling thousands of stays and issuing over 1,500 credit notes.

Following the restructure, the cost of operating Web Services has been significantly reduced as HI has moved to a more agile model of support, which can be scaled up or down to meet the changing volumes and needs of our Web Services operations.

GOVERNANCE AND ADMINISTRATION

Board of Trustees

Hostelling International is a registered charity and company limited by guarantee with no share capital, managed by a Board of Trustees. The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The Board of Trustees is comprised of 9 members (but since the 2020 conference has two vacancies) elected from candidates proposed by HI's Member Associations. Board members serve 4-year terms on a staggered basis meaning half of the Board seats come up for re-election at each biennial International Conference. The President must stand for election at every International Conference.

The following trustees served throughout the year and until the date of signing:

Position	Name (Nationality)	Elected / Appointed	Served until
President	Robert McGuirk (Australia)	17 October 2018	2 September 2020
	Stephan Kurmann (Switzerland)	2 September 2020	Date of signing
Vice President	Stephan Kurmann (Switzerland)	5 September 2016	2 September 2020
	Eric Oetjen (USA)	17 October 2018	Date of signing
	Uwe Boehm (Germany)	22 September 2020	Date of signing
Treasurer	Alan Bourne (England & Wales)	17 October 2018	Date of signing
Members	Benoit Graisset-Recco (France)	5 September 2016	2 September 2020
	Ramis Bedran (Brazil)	5 September 2016	2 September 2020
	Sergio Montoya Ruiz De Angulo (Spain)	17 October 2018	Date of signing
	Uwe Boehm (Germany)	17 October 2018	22 September 2020
	Rashid Al-Khalifa (Bahrain)	17 October 2018	Date of signing
	Sanni Virto (Finland)	2 September 2020	Date of signing

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Board of Trustees Selection Process

Board members are usually current or former trustees or a CEO of a Member Association and are required to be nominated to stand for election by either the association of which they are an individual member or no less than ten other Member Associations. The Board may, but is not obliged to, recruit externally should there be insufficient candidates to fill all vacancies. Elections are held in accordance with our Memorandum and Articles of Association and Rules of Procedure for Conference. Each Trustee may serve up to 8 years - a maximum of 2 terms – on the Board and can serve up to an additional 6 years as President.

Trustee Induction and Training

Newly elected Trustees are provided with an induction pack covering all aspects of Hostelling International's operations, as well as training from our auditor MHA MacIntyre Hudson on their duties and responsibilities.

Additionally, the first Board Meeting following Conference is traditionally held at the International Office to enable Board Members to meet staff face-to-face and learn first-hand about the day-to-day running of the office. However, this was not possible in 2020 as all Board Meetings during the year took place online as a result of the pandemic.

Organisational and Board evaluation

The Charity continues to work towards complying as far as is practical with the Charity Governance Code. At the beginning of 2021 the Board undertook a comprehensive exercise to establish the extent to which HI was following the Code and where improvements were possible. The study confirmed that HI had made considerable progress over recent years with implementing good practice. The key areas which were highlighted as requiring further work were: finalising a new network strategic plan which better emphasised HI's charitable purpose; modernising HI's Board election process to improve its ability to attract trustees with the right skills/expertise and diversity to lead the organisation effectively; and consolidating/establishing good communication channels with the Member Associations. The trustees also undertook a self-assessment of how well the Board was functioning. This concluded that the Board had become much better focused and more effective over the last year. The key issue raised was the poor diversity represented by Board membership, e.g. only one female trustee and a shortage of younger voices. This is already being addressed by a 'Diversity and Inclusivity' working group. Other highlighted issues such as a lack of informal discussion and the length of meetings should be resolved as we come out of the pandemic. The Board intend to undertake these organisational and board evaluations on a regular basis going forwards so progress can be monitored.

Responsibilities of the Board of Trustees

The role of the Board is governance rather than management. Governance focuses on the wider issues of the organisation and the establishment and monitoring of policy and strategic direction. The Board works closely in partnership with the Chief Executive Officer (CEO) to ensure that HI's goals are achieved.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

The Board may require the CEO to propose new strategies or revise existing strategies for the Board's consideration. Upon approval from the Board, the CEO develops implementation plans and takes the necessary steps to action them. The Board meets on a regular basis to examine progress reports and supervise performance.

The Board gives direction for the overall operations of HI but is not directly responsible for the day-to-day operations of the organisation - this is the task of the CEO. The Board, however, has the ultimate responsibility for the sound management and financial security of HI.

The Board approves the annual budget prior to the beginning of every financial year of HI and sets a delegation of authority regarding limits on expenditure, contracts etc.

Trustees' Indemnity Insurance

The charitable company has purchased insurance for the trustees and officers of the charity against liability arising from wrongful acts in relation to the charity.

Key Management Personnel Remuneration

The key management personnel of the charity comprise the Board of Trustees and the Chief Executive. The Trustees do not receive remuneration. The Chief Executive's remuneration is set by the Board and from time to time they take advice from external recruitment agencies regarding whether that remuneration remains appropriate. The Board does not have a formal remuneration policy. The setting of the pay and conditions of the staff other than for the CEO is delegated to the CEO within the constraints of the annual budget and HR policy.

Organisational Structure

The physical International Office is located in Welwyn Garden City, Hertfordshire, UK. The staff of HI are managed by the CEO who is accountable to the Board. Prior to the pandemic, HI employed 21 full time equivalent staff.

After the pandemic hit the world in March, all but four of those staff were furloughed awaiting a decision by the Interim CEO in conjunction with the Board about the future size of the organisation. After consultation with the staff, a restructuring of the organisation occurred in the late summer. The goal of the restructure was to have a smaller International Office that was both affordable but remained able to work in a collaborative way with HI's members to support hostelling during the recovery from the pandemic and allow the transition to a revitalised organisation with a strong future.

In September, the former CEO Darren Barker left the organisation by mutual consent and Brianda Lopez was appointed Interim CEO. The previously existing Programmes, Standards and Sustainability Team, Engagement Team and Partnerships Team have been merged into a Network and Brand Team. The B2C Operations Team headcount and IT support was reduced and became the Technology Service Team. The remainder of the Support Team, comprising Finance, HR and Governance, was reduced to a single person.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Although the number of staff have been reduced down to 8.4 full time equivalents by April 2021, HI has managed to keep valuable knowledge and expertise in the key relevant areas for the future. HI continues to employ staff of several different nationalities who, combined, speak a number of languages, allowing the organisation to both understand and stay in contact with our members in all parts of the world – a key requirement for us.

HI was obliged by government policy to minimise employees having to work in an office environment to prevent the spread of the virus. HI successfully implemented working remotely from home. We now have all the necessary systems in place to remotely serve our Member Associations using the technology available to us. As a cost saving, the Board has agreed that ‘virtual working’ should continue after the pandemic ends and plans are being drawn up to relinquish use of the physical office in Welwyn Garden City.

Risk Management

HI’s Risk Management Policy was agreed by the Board in July 2019. The policy highlights that risk, and its management, is a critical part of the daily operations of HI’s business. The Policy requires HI to identify and assess risks, maintain a risk register, and manage and review those risks as part of day-to-day operations. The Board of Trustees are to undertake a full review of the Key Risk Register at least annually.

The key risks for HI that are currently identified are:

Strategic Risk

- Lack of a coherent strategy and a sustainable business model.
- Insufficient resilience to cope with current and future climate change.
- Failure to provide sufficient value to Member Associations and end customers.

Governance Risk

- Inability to influence the continuing long term effectiveness and objectivity of the Board.
- Lack of diverse representation at Board level.

Operational Risk

- Failure to safeguard IT environment following the 2020 organisation restructure.

Financial Risk

- Major disruption to international travel (e.g. pandemic) or external environment outside HI’s control.
- Insufficient cashflow to meet payroll and supplier payments.

Reputational Risk

- Inadequate safeguarding of hostel users at HI-approved hostels.

The Board is actively looking at ways to mitigate the identified risks through the different strands of the emerging new network strategic plan and associated operational plans.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Gratitude

The Board would like to take this opportunity to express its thanks to all the volunteers and professionals involved in the international hostelling movement, both those who serve on Member Association Boards of Trustees and those who help with hostel activities. Without their support and assistance, the work to deliver the mission of this global organisation could not take place.

Finance

Total Incoming Resources in 2020 amounted to £1,143,391 (2019 £1,688,750) representing a decrease of £545,359 year on year, mainly as a result of the collapse in online bookings through the HI website due to the COVID-19 global pandemic. Booking revenue decreased from £902,884 in 2019 to £219,733 in 2020. This was partially offset by the receipt of the £253,530 UK Government Coronavirus Job Retention Scheme grant for staff who were furloughed.

In light of the COVID-19 induced global and domestic travel restrictions, there was initial uncertainty as to whether Member Associations would be able to pay their membership fees, which represented 32% of HI's budgeted income. As it happened, 83% of fees were paid by the 2020 year-end and HI is grateful to the Member Associations for making those payments in such uncertain times. For the remainder, after combining with other receivables from members, 74% has been either provided against or received in 2021.

Total Resources Expended (before gains and losses on investments) amounted to £1,539,919 (2019 £1,889,707) representing a decrease of £349,788 year on year. This is largely due to savings in staff costs following restructuring, lower website running costs due to the reduction in booking volumes and significantly lower travel costs.

During the year, a donation-in-kind of £19,329 (2019 £47,067) was received from Google Grants (representing free online advertising costs).

Net losses on investment assets were £334,464 (£163,915 gains in 2019) as the Board liquidated virtually the entire investment portfolio following a sharp fall in share prices as the pandemic took hold in order to avoid any further erosion in value.

The net movement in funds was a £730,992 reduction in reserves compared to a reduction of £37,042 in 2019. Hence HI's reserves fell from £1,339,691 to £608,699 during 2020.

Investment Policy

Hostelling International's investment policy seeks to maintain purchasing power and achieve long-term capital growth of UK inflation (RPI) plus 3% while operating with an average/moderate risk tolerance. Entering 2020 there were two portfolios, the Balanced Fund and the Reserves Fund, comprising bonds and equities, money-market holdings and other investments, which are managed by Brewin Dolphin in London. The Balanced Fund was intended to be the long-term fund with the Reserves Fund being used to cover any cash flow deficits from normal operations. Following disinvestment in March and the subsequent partial reinvestment in July, the two funds were merged.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

In accordance with our mission to build a more understanding, tolerant, peaceful, and environmentally considerate world described on page 3, HI's investment policy seeks to be culturally and ethically sensitive and as such screens out investment in certain types of companies whose activities conflict with HI's objects and the environmental principles of HI's Sustainability Charter. This policy precludes direct investment in companies that generate more than 10% of revenues from tobacco, alcohol, nuclear energy, pornography or armaments.

During 2020, the investments achieved a loss (total return basis after deduction of management fees) of 17.1%, (16.8% profit in 2019) reflecting the substantial reduction in both income and stock prices during much of 2020 compounded by the decision to sell most of our investments in March before a gradual reinvestment to a smaller portfolio in the second half of the year.

Reserves Policy

The total funds of the charity at 31 December 2020 were £608,699 (2019 £1,339,691), of which restricted funds amounted to £6,654 (2019 £15,927).

Hostelling International has a Reserves Policy which specifies both minimum and maximum levels of "free reserves" which the organisation should aim to stay within. Free Reserves are defined as our unrestricted funds less tangible fixed assets. The upper threshold is set at two times our expected annual costs and is designed to keep HI from being overly conservative and missing opportunities to deliver public benefit in accordance with our mission. There are then two lower thresholds. The first is set at two times our expected annual costs less one times our annual income – below which the organisation should question all non-essential expense. The second is set at two times our expected annual costs less 1.5 times our annual income – below which the organisation should undertake a significant restructure, e.g. drastically reduce staffing or seek significantly more financial support from its members.

Based on the 2020 budget, the policy set our upper threshold at £3.6m and the two lower thresholds at £1.9m and £1.0m. With the onset of the pandemic it became clear that our reserves would fall well below £1.0m and this was a major factor triggering the decision to downsize the organisation. At the year end, our free reserves stood at £575,729.

The 2021 budget is based on expected income and expenditure of less than half that included in the 2020 budget. This lower level of both expenditure and income sets HI's three Reserve Policy thresholds at £1.6m, £0.8m, and £0.4m. Our free reserves currently fall between the two lower thresholds and are expected to continue to do so into the foreseeable future.

Going Concern

Bearing in mind the on-going effects of the COVID-19 pandemic on HI's income, the Board modelled the impact on reserves until the end of 2022 if all the key worst-case scenarios were to materialise. The key uncertainties relate to the level of income likely to be received from web services and the Member Associations (fees & charges) as well as our ability to end payments for the HI office building in Welwyn Garden City. Following scrutiny of the model, Trustees agreed that they are satisfied they have a

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future and that the use of the going concern basis of accounting is appropriate in preparing the annual financial statements. The trustees do not consider liquidity risk to be a material financial risk as the charitable company has funds which are represented by cash or investments managed by Brewin Dolphin which can be made available to HI with one week's written notice should received income from membership fees and/or web services be substantially lower than expected. Accordingly, the Charity is not aware of any material uncertainties that exist over its ability to continue as a going concern.

Plans for the Future

During 2019 the Board and Federation began the process of agreeing a strategic plan for the period 2020 to 2024 to establish a set of shared commitments for the entire Federation. However, this work was put on temporary hold with the onset of the pandemic partly due to more pressing short-term survival issues but also due to the uncertainties about what the post-pandemic 'hostelling world' would look like.

The Board believes that in the post COVID-19 era our mission and values will be more relevant than ever. For example, through working closely with local communities, young people and youth organisations, and implementing the Sustainable Development Goals. This emphasises the need to revise our draft strategy and adapt it to the new circumstances in order to protect HI and its network and ensure a bright future for hostelling.

Key questions being asked are: What role will HI and its members associations need to play to stay relevant in the future? How are society and the market changing? With fewer resources, how can we structure our work together to re-position HI at the top of the youth market again? How can we ensure we connect to young people and travellers generally in a new revitalised organisation?

During the last quarter of 2020, after the restructure, the Board of Trustees has worked with the HI Office and the network to build strong foundations for the future through the creation of a HI Transition Plan to take us through to a new strategic plan.

The Transition Plan includes the following key projects:

- **Future HI Strategic Plan.** Develop HI's value proposition to the network.
- **Future of HI Web Services.** Explore scenarios in which current Web Services can evolve to allow HI to maximise its resources, while protecting revenue and the needs of Member Associations with whom we have contracts.
- **Membership Fees.** Revise the basis on which Member Associations membership fees are calculated
- **HI Brand story.** Develop our brand story and communication plan to re-position our global brand.
- **Third-party collaborations.** Seek and maintain partnerships and collaborations with value-aligned organisations that offer commercial benefits and provide better connections to young people.
- **Operations for the future.** Revise and, if necessary, adapt our standards, operations and programmes to the post COVID-19 era.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

We believe that we have started a journey that will help HI navigate the unpredictable, whilst laying the foundations for a stronger, more relevant, inspirational organisation.

The Report of the Board of Trustees was approved and signed on behalf of the Board by



Stephan Kurmann
President

16 June 2021



Alan Bourne
Treasurer

16 June 2021

TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of International Youth Hostel Federation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION

Opinion

We have audited the financial statements of the International Youth Hostel Federation (the 'charitable company') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report (incorporating the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION (CONTINUED)

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

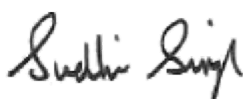
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION (CONTINUED)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of this report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditors

6th Floor, 2 London Wall Place

London, EC2Y 5AU

Date: 12 July 2021

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2020 (INCLUDING THE INCOME & EXPENDITURE ACCOUNT)

		Unrestricted	Restricted	Total	(Note 21) Total
		Funds	Funds	Funds	Funds
	Note	2020	2020	2020	2019
		£	£	£	£
INCOME FROM:					
Donations		20,467	6,952	27,419	101,551
Grants received		253,530	-	253,530	-
Charitable activities	3	846,172	-	846,172	1,518,651
Other trading activities		1,090	-	1,090	9,876
Investment income	2	15,180	-	15,180	58,672
Total Income		<u>1,136,439</u>	<u>6,952</u>	<u>1,143,391</u>	<u>1,688,750</u>
EXPENDITURE ON:					
Raising funds		539	-	539	4,612
Investment management costs		1,937	-	1,937	9,984
Charitable activities					
Network & Brand	4	905,014	16,225	921,239	1,043,065
Web Services	4	616,204	-	616,204	832,046
Total Resources Expended		<u>1,523,694</u>	<u>16,225</u>	<u>1,539,919</u>	<u>1,889,707</u>
Net expenditure before investment gains / (losses)		(387,255)	(9,273)	(396,528)	(200,957)
Net (losses)/gains on investment assets	9	(334,464)	-	(334,464)	163,915
NET MOVEMENT IN FUNDS		<u>(721,719)</u>	<u>(9,273)</u>	<u>(730,992)</u>	<u>(37,042)</u>
Total funds brought forward	15	<u>1,323,764</u>	<u>15,927</u>	<u>1,339,691</u>	<u>1,376,733</u>
Total funds carried forward	15	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>	<u>1,339,691</u>

All operations are classed as continuing.

The notes on pages 23 to 35 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> £	<u>2019</u> £
FIXED ASSETS			
Tangible fixed assets	10	26,316	31,812
Investments	9	427,624	1,446,433
Total Fixed Assets		453,940	1,478,245
CURRENT ASSETS			
Stock		5,525	6,064
Debtors	11	133,460	147,457
Cash held for investment	12	160,692	55,942
Cash at bank and in hand	12	216,528	106,883
Total Current Assets		516,205	316,346
CREDITORS: Amounts falling due within one year	13	280,446	377,900
NET CURRENT ASSETS / (LIABILITIES)		235,759	(61,554)
TOTAL ASSETS LESS CURRENT LIABILITIES		689,699	1,416,691
PROVISIONS FOR LIABILITIES AND CHARGES	14	81,000	77,000
TOTAL NET ASSETS		608,699	1,339,691
THE FUNDS OF THE CHARITY			
Unrestricted funds			
General fund	15	602,045	1,323,764
Restricted funds	15	6,654	15,927
		608,699	1,339,691

The accompanying accounting policies and notes form an integral part of these financial statements.

Approved and authorised for issue on behalf of the Board of Hostelling International (Company number: 02250706) by



Stephan Kurmann, President



Alan Bourne, Treasurer

Approved by the Board of Trustees on 16 June 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> £	<u>2019</u> £
Net cash flows from operating activities	(484,380)	(179,983)
Cash flows from investing activities:		
Investment income received	15,180	58,672
Purchase of property, plant and equipment	(750)	(6,936)
Proceeds from sale of investments	1,117,632	332,756
Purchase of investments	(433,287)	(233,713)
Net cash flows from investing activities	<u>698,775</u>	<u>150,779</u>
Net (decrease) / increase in cash and cash equivalents	214,395	(29,204)
Cash and cash equivalents at beginning of year	162,825	192,029
Cash and cash equivalents at the end of the year	<u><u>377,220</u></u>	<u><u>162,825</u></u>
Being:		
Cash held for investment	160,692	55,942
Cash at bank and in hand	<u>216,528</u>	<u>106,883</u>
	<u><u>377,220</u></u>	<u><u>162,825</u></u>

Reconciliation of net expenditure to net cash flow from operating activities

	<u>2020</u> £	<u>2019</u> £
Net expenditure as per the statement of financial activities	(730,992)	(37,042)
Adjustments for:		
Depreciation charges	6,246	114,004
Provisions	4,000	4,000
Losses / (gains) on investments	334,464	(163,915)
Dividends, interest and rents from investments	(15,180)	(58,672)
Decrease / (increase) in stocks	539	(1,016)
Decrease / (increase) in debtors	13,997	(38,108)
(Decrease) / increase in creditors	(97,454)	766
Net cash flows from operating activities	<u><u>(484,380)</u></u>	<u><u>(179,983)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Hostelling International, a public benefit entity, is registered in England & Wales as a private company limited by guarantee, not having share capital. The charity is a registered charity. The registered office is given on page 36.

- a) **Financial Statements** The financial statements are prepared under the historical cost convention, in accordance with the Statement of Recommended Practice “Accounting and Reporting by Charities (SORP)” applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), as updated, effective from 1 January 2019, the Charities Act 2011; and the Companies Act 2006.

The principal accounting policies are set out below and remains consistent under the new framework from the previous year.

Hostelling International has a wholly owned subsidiary, Hostelling International Trading Limited, which has remained dormant since its incorporation and as such the accounts have not been prepared on consolidated basis.

The financial statements have been presented in Sterling and all figures have been rounded to the nearest pound.

- b) **Going concern** These financial statements have been prepared on the going concern basis. In response to the COVID-19 pandemic, the Trustees have performed a robust analysis of forecast future cash flows for a period to December 2022, which the Trustees consider to be the realistic foreseeable future, taking into account the potential impact on the business of possible future scenarios, including the potential continuing impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact. Based on these assessments and realistic worst case scenarios and having regard to the liquid resources available to the entity, the Trustees have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts. Further details of this assessment can be found on page 12 of the Trustees report.
- c) **Fixed Assets** Fixed assets are stated at cost less any impairment. Depreciation is calculated by reference to the cost or valuation of fixed assets at rates considered appropriate, having regard to the expected lives of the fixed assets.
- Website development costs were capitalised, and depreciated over 5 years from date of completion in April 2014. Further ongoing development costs are being expensed as incurred.
 - Freehold buildings are depreciated in equal annual instalments over 40 years from the date of acquisition. Prior to the implementation of FRS 102, the Company had revalued the Peru property to its open market value. Under transitional rules of FRS 102, the Company has retained this previously revalued book amount.
 - Leasehold improvements are depreciated in equal annual instalments over 3 years, and are fully depreciated.
 - Office equipment costing more than £500 is capitalised at cost and depreciated in equal annual instalments over 4 years.
- d) **Stocks** Stocks are valued at the lower of cost or net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- e) **Foreign Currencies** Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Income and expenditure in foreign currencies are recorded at the exchange rate ruling at the date of the transaction.
- f) **Pension Costs** The charitable company's contributions to employees' defined contribution schemes are charged to the SOFA for the year in which they are payable to the scheme.
- g) **Fund Accounting** Funds are accounted for as follows:
- Restricted funds are used for specific purposes laid down by the donor. Expenditure for these purposes is charged to the fund.
 - Unrestricted funds are other incoming resources received or generated for expenditure on the general objectives of the charitable company.
 - Designated funds are unrestricted funds which have been designated for specific purposes by the trustees.
- h) **Myclimate funding** As part of HI's sustainability activities, part of the voluntary donation received to offset the carbon footprint of the traveller is paid over directly to myclimate who invest in sustainability projects. Both income and expense are recognised in respect of this transaction.
- i) **Investments** Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are continuously measured at fair value with changes recognised in 'net gains / (losses) on investments' in the Statement of Financial Activities, if the shares are publicly traded or their fair value can otherwise be measured reliably. As investments are continuously revalued there are no realised gains or losses recorded. Investment income is accounted for in the period in which the charitable company is entitled to receipt. Cash held within the investment fund is considered for available use and is included within cash. The investment in the subsidiary is held at cost.
- j) **Programme Related Investments** Loans are made at arm's length to Member Associations to support key hostel projects. Interest is charged at commercial rates and recognised as income when received.
- k) **Resources Expended** Resources expended, including termination payments, are accounted for on an accruals basis. Expenditure is apportioned to activity categories, based on headcount. In 2020, HI rebranded its activities under two umbrella headings; Network and Brand, and Web Services, to better reflect the key focus areas for the restructured organisations and 2019 comparatives have been restated accordingly.
- l) **Resources** are allocated between:
- Expenditure on supporting Member Associations in their delivery of the mission
 - Expenditure on maintaining and developing our Web Services, including hihostels.com, digital membership and affiliate products for Member Associations
 - Expenditure incurred in the governance, management and administration of the charity is allocated to the above categories on a per capita basis (see Note 4). No such costs are currently allocated to grants or raising funds on the grounds of materiality. Governance expenditure includes costs associated with Board of Trustees' Meetings, Officers' Meetings, biennial international conference, annual report and audit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

m) Income

Income from donations includes:

- Voluntary donations to the HI Sustainability and MyClimate funds at the time of booking, which are recognised when the booking is made
- Other donations and legacies, which are recognised when it is probable that the income will be received

Income from grants includes:

- £253,530 of government grants recognised on an accruals basis under the Coronavirus Job Retention Scheme in 2020 (2019: £0), to cover payroll costs of employees who were furloughed as a result of the downturn in revenue caused by the COVID-19 pandemic.
- The Charity is not aware of any unfilled conditions or other contingencies attaching to grants that have been recognised in income.

Income from charitable activities includes:

- Membership fees and conference fees from Member Associations, which is accounted for on a receivable basis
- Revenue from the hihostels.com website (deposits in respect of bookings, booking fees and commissions on the sale of eMemberships), which is recognised when the booking is made.

Income from other trading activities includes sales of welcome stamps and other merchandise to Member Associations, which is accounted for on a receivable basis.

Income from investments is recognised when receivable.

- n) **Leases** Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation on a straight-line basis as there is an immaterial difference to using the effective interest method (which achieves a constant rate of interest on the remaining balance of the liability). Finance charges are deducted in measuring income and expenditure. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Payments made under operating leases are recognised in the SOFA on straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- o) **Provisions** Provisions for future expenditure to return leased property to the same condition as it was at the start of the lease at the expiry of the property lease, as required by the terms of the lease, are made using benchmark figures from the Royal Institute of Chartered Surveyors to reach a reasonable estimate.
- p) **Taxation** As a registered charity, Hostelling International is exempt from taxation on its income and gains falling due within part 11 of the Corporation Taxation Act 2010 and s256 Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable purposes. No tax charge has arisen in the year ended 31 December 2019.
- q) **Grants** Grants payable from the Sustainability Fund are recognised in the SOFA when awarded and communicated to the recipient.
- r) **Financial instruments** The Charity only holds basic Financial Instruments. The financial assets and financial liabilities of the Charity are as follows:
- *Debtors* – trade and other debtors (including accrued income) are financial instruments and are debt instruments measured at amortised cost as detailed in note 11. Prepayments are not financial instruments.
 - *Cash at bank* – is classified as a basic financial instrument and is measured at face value.
 - *Liabilities* – trade creditors, accruals and other creditors are classified as financial instruments, and are measured at amortised cost as detailed in note 13. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as in the cash settlement has already taken place and there is simply an obligation to deliver services rather than cash or another financial instrument.
- s) **Critical accounting judgements and key sources of estimation uncertainty** In the application of the charitable company's accounting policies described above the Trustees are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. After considering the impact of COVID-19 on its accounting judgements and estimates, the Trustees are not aware of any critical judgements or sources of estimation uncertainty requiring disclosure beyond the accounting policies listed above.
- t) **Donated professional services** are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised.

On receipt, donated professional services are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. INVESTMENT INCOME

	<u>2020</u>	<u>2019</u>
	£	£
Dividends on listed equities	7,275	27,619
Interest on listed securities	3,566	13,668
Interest on other interest-bearing accounts	4,339	17,385
	<hr/> 15,180 <hr/>	<hr/> 58,672 <hr/>

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	<u>2020</u>	<u>2019</u>
	£	£
Membership Fees	528,394	532,167
Booking Revenue	219,733	902,884
Other fees from members	98,045	83,600
	<hr/> 846,172 <hr/>	<hr/> 1,518,651 <hr/>
Attributable to geographical markets outside the UK	762,721	1,485,608

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. RESOURCES EXPENDED – CHARITABLE ACTIVITIES & SUPPORT COSTS

	2020			2019		
	Direct Costs £	Support Costs £	Total £	Direct Costs £	Support Costs £	Total £
Network & Brand						
Grants awarded	16,225	-	16,225	32,278	-	32,278
Staff costs	371,459	259,256	630,715	444,341	239,514	683,855
Facilities & equipment	247	81,877	82,124	409	94,095	94,504
Professional services	38,568	34,326	72,894	76,076	34,007	110,083
Travel & subsistence	8,252	3,818	12,070	37,220	16,851	54,071
Depreciation	-	3,807	3,807	-	5,179	5,179
Other	79,948	23,456	103,404	38,414	24,681	63,095
Total Stronger more coherent network	514,699	406,540	921,239	628,738	414,327	1,043,065
Web Services						
Staff costs	234,549	166,041	400,590	267,956	144,174	412,130
Facilities and equipment	-	52,438	52,438	-	56,639	56,639
Professional services	129	21,984	22,113	450	20,471	20,921
Travel and subsistence	-1,278	2,445	1,167	438	10,144	10,582
Depreciation	-	2,439	2,439	105,708	3,117	108,825
Other	122,434	15,023	137,457	208,092	14,857	222,949
Total Web Services	355,834	260,370	616,204	582,644	249,402	832,046
Total expenditure on charitable activities	870,533	666,910	1,537,433	1,211,382	663,729	1,875,111
Analysis of Support Costs						
	Network & Brand £	Web Services £	Total £	Network & Brand £	Web Services £	Total £
Governance	3,510	2,248	5,758	13,986	8,419	22,405
Management	115,173	73,762	188,935	88,244	53,118	141,362
Finance, IT, HR	206,363	132,165	338,528	218,007	131,227	349,234
Facilities costs	81,495	52,194	133,689	94,091	56,637	150,728
	406,541	260,369	666,910	414,328	249,401	663,729

Support costs are allocated pro rata on the basis of full-time equivalent headcount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. STAFF COSTS

	<u>2020</u>	<u>2019</u>
	£	£
Gross Salaries	710,142	927,336
Social security costs	80,687	91,864
Termination costs	178,407	-
Pension costs	39,602	49,243
	<u>1,008,838</u>	<u>1,068,443</u>
Health costs	9,588	13,299
Other costs associated with employees	7,870	14,243
	<u>1,026,296</u>	<u>1,095,985</u>

Termination costs of £178,407 comprised statutory redundancy for 8 staff members totalling £37,995, two enhanced redundancy payments totalling £1,918 and a settlement agreement payment of £67,000 to the resigning Chief Executive. £7,532 relating to statutory redundancy pay for a member of staff leaving in January 2021 was included within creditors at the year end and paid in January 2021.

	<u>No. in 2020</u>	<u>No. in 2019</u>
Employees whose benefits were between:		
£60,000 - £70,000	-	1
£70,000 - £80,000	1	1
£80,000 - £90,000	-	-
£110,000 - £120,000	-	1
£130,000 - £140,000	1	-

Contributions paid by Hostelling International into employees' individual pension schemes for the employees whose benefits were above £60,000 amounted to £7,337 (2019 £16,002).

The key management personnel of the charity comprise the Trustees and the Chief Executive. The Trustees do not receive remuneration. The Chief Executive's remuneration is set by the Trustees and from time to time they take advice from external recruitment agencies. Darren Barker resigned as Chief Executive on 30th September 2020 and was replaced as Interim Chief Executive by Brianda Lopez. The total remuneration for the Chief Executive, including his termination payment of £67,000, & Interim Chief Executive during the year was £181,190 (2019 £130,049).

The number of employees during the year, analysed by function, was:

	<u>No. in 2020</u>		<u>No. in 2019</u>	
	Average No.	Full Time Equivalent	Average No.	Full Time Equivalent
Network & Brand	10	9	12	10
Web Services	6	6	6	6
Support costs including management	5	4	6	5
	<u>21</u>	<u>19</u>	<u>24</u>	<u>21</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TOTAL EXPENDITURE included:

	<u>2020</u>	<u>2019</u>
	£	£
Depreciation	6,246	114,004
Fees payable to the company's auditor:		
For the audit of the company's annual accounts	13,250	13,150
For additional 2020 considerations related to COVID-19	3,000	-
Under accrual for 2019 audit services	3,000	-
Rentals under operating leases	77,917	77,347
Foreign exchange (gains) / losses	(2,327)	8,623
Cost of stock recognised as an expense	539	4,612

7. TRUSTEES' EXPENSES

The trustees who served during the year are shown on page 7. No trustee received remuneration during 2020 (2019 – Nil). Travel and other expenses reimbursed to the trustees during the year amounted to £nil as all meetings took place virtually (2019 £18,081). The trustees serving at the date of signing are based in Bahrain, England, Finland, Germany, Spain, Switzerland and USA.

8. LEASING COMMITMENTS

The charity's future minimum operating lease payments are as follows:

	<u>2020</u>		<u>2019</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within one year	76,635	712	76,635	712
Between one and five years	440,540	890	424,150	1,602
Between five and twenty five years	139,538	-	232,563	-
	<u>656,713</u>	<u>1,602</u>	<u>733,348</u>	<u>2,314</u>

The charity has a 10 year lease on its office premises which expires in 2028.

9. INVESTMENTS

	<u>2020</u>	<u>2019</u>
	£	£
Securities		
Fair value at 1 January	1,446,432	1,381,560
Acquisitions at cost	433,287	233,713
Disposals at carrying value	(1,117,632)	(332,756)
Net gains / (losses) in the year	(334,464)	163,915
Fair value at 31 December	<u>427,623</u>	<u>1,446,432</u>
Investment in Subsidiary		
Share in wholly owned subsidiary (at cost) (note 17)	<u>1</u>	<u>1</u>
Total investments	<u>427,624</u>	<u>1,446,433</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENTS (CONTINUED)

Analysis of investments by type

	<u>2020</u>	<u>2019</u>
	£	£
Bonds	20,233	267,264
Equities	325,988	750,113
Other Investments	81,402	429,055
Investment in subsidiary	1	1
	<u>427,624</u>	<u>1,446,433</u>

The value of securities shown in the Balance Sheet is the market value at 31 December 2020. The historical costs are shown below:

	<u>2020</u>	<u>2019</u>
	£	£
Historical cost at 31 December	<u>394,586</u>	<u>1,204,549</u>

10. TANGIBLE FIXED ASSETS

	<u>Website Development Costs</u>	<u>Freehold Land and Buildings</u>	<u>Leasehold Improvements</u>	<u>Office Equipment</u>	<u>Total</u>
	£	£	£	£	£
Cost or valuation					
At 1 January 2020	2,169,289	130,215	2,801	100,982	2,403,287
Additions	-	-	-	750	750
Disposals	-	-	-	-	-
At 31 December 2020	<u>2,169,289</u>	<u>130,215</u>	<u>2,801</u>	<u>101,732</u>	<u>2,404,037</u>
Depreciation					
At 1 January 2020	2,169,289	107,422	2,801	91,963	2,371,475
Provided for in year	-	3,255	-	2,991	6,246
Disposals	-	-	-	-	-
At 31 December 2020	<u>2,169,289</u>	<u>110,677</u>	<u>2,801</u>	<u>94,954</u>	<u>2,377,721</u>
Net Book Value					
At 31 December 2020	<u>-</u>	<u>19,538</u>	<u>-</u>	<u>6,778</u>	<u>26,316</u>
At 31 December 2019	<u>-</u>	<u>22,793</u>	<u>-</u>	<u>9,019</u>	<u>31,812</u>

Freehold land and buildings comprise exclusively of the Lima hostel. The historical cost was US \$200,582 (£104,475). The difference between the historical cost and market value used for the accounts is US \$49,418 (£25,740).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TANGIBLE FIXED ASSETS (CONTINUED)

Accumulated Depreciation would have been £89,371 if based on the historical cost (2019 £86,466). The revaluation took place in 1987 and the revalued amount was treated as deemed cost, depreciated over a period of 40 years going forward.

Two valuations of the property were performed in November 2012 and range from US \$2,100,000 to US \$2,772,699. Further valuations have been performed in October 2015 and January 2020, at US \$3,124,965 and \$3,942,846 respectively.

11. DEBTORS

	<u>2020</u>	<u>2019</u>
	£	£
Member Associations	41,823	25,796
Other debtors	27,553	4,698
Prepayments and accrued income	64,084	116,963
	<u>133,460</u>	<u>147,457</u>

12. CASH AT BANK AND IN HAND

	<u>2020</u>	<u>2019</u>
	£	£
Cash held for investment	<u>160,692</u>	<u>55,942</u>

	<u>2020</u>	<u>2019</u>
	£	£
Current accounts	213,535	104,306
Petty cash	2,993	2,577
	<u>216,528</u>	<u>106,883</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2020</u>	<u>2019</u>
	£	£
Member Associations	15,262	73,232
Trade creditors	26,848	83,720
Amounts owed to subsidiary undertakings	1	1
Other taxes and social security	76,341	92,480
Other creditors and accruals	139,151	97,357
Grant award creditor	22,843	31,110
	<u>280,446</u>	<u>377,900</u>

Included in other creditors and accruals is a balance of £2,780 (2019 debit balance £687) relating to CO2 offset donations received, under an agreement with Myclimate. No donations were paid to Myclimate during the year (2019 £15,194).

The grant award creditor relates to grants awarded but not yet paid from the HI Sustainability restricted fund. Grants are paid on the completion of the project. Further details are shown below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

		<u>2020</u>	<u>2019</u>
		£	£
Grants awarded in 2014:	Hostelling International – Canada	-	6,026
Grants awarded in 2015:	HI Iceland	7,000	7,000
	Stayokay	-	1,500
	Hostelling International – Canada	-	3,500
Grants awarded in 2016:	Stayokay	-	(1)
Grants awarded in 2019:	YHA England & Wales	-	10,000
	YHA Israel	3,085	3,085
Grants awarded in 2020:	Youth Hostels Association of India	4,253	-
	Red Española de Albergues Juveniles (REAJ)	4,253	-
	Hostelling International – Canada	2,126	-
	Hihostels Brasil	2,126	-
		<u>22,843</u>	<u>31,110</u>

14. PROVISIONS

	<u>2020</u>	<u>2019</u>
	£	£
End of lease dilapidations provision	<u>81,000</u>	<u>77,000</u>

A provision has been made for end of lease dilapidations costs at the current office premises, based on a survey conducted by iCON Building Consultancy in October 2017. The lease expires in June 2028.

15. FUNDS

	<u>General Fund</u>	<u>Restricted Funds</u>	<u>Total Funds</u>
	£	£	£
2020			
Balance at 31 December 2019	1,323,764	15,927	1,339,691
Incoming resources	1,131,431	6,952	1,138,383
Expenditure	(1,518,686)	(16,225)	(1,534,911)
Net losses on investment assets	(334,464)	-	(334,464)
Balance at 31 December 2020	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>
2019			
Balance at 31 December 2018	1,351,104	25,629	1,376,733
Incoming resources	1,666,174	22,576	1,688,750
Expenditure	(1,857,429)	(32,278)	(1,889,707)
Net gains on investment assets	163,915	-	163,915
Balance at 31 December 2019	<u>1,323,764</u>	<u>15,927</u>	<u>1,339,691</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FUNDS (CONTINUED)

In 2012, Hostelling International launched the Sustainability Fund on hihostels.com whereby HI customers may make a donation to offset the CO2 of their overnight stay. Part of the donated amount is passed to Myclimate for carbon offsetting projects (see note 13).

The other part of the donation is held within a restricted fund by HI to be expended as grants to Member Associations to support their sustainable projects.

Grants totalling £12,758 were awarded during the year (2019 £20,585). The following grants were paid during the year: a £6,026 grant awarded in 2014, grants totalling £5,000 awarded in 2015 and a £10,000 grant awarded in 2019. See note 13.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

2020	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total funds</u>
	<u>General</u>		
	£	£	£
Tangible fixed assets	26,316	-	26,316
Investments	427,624	-	427,624
Current assets	483,928	32,277	516,205
Current liabilities	(254,823)	(25,623)	(280,446)
Provisions	(81,000)	-	(81,000)
Total net assets	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>

2019	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total funds</u>
	<u>General</u>		
	£	£	£
Tangible fixed assets	31,812	-	31,812
Investments	1,446,433	-	1,446,433
Current assets	273,594	42,752	316,346
Current liabilities	(351,075)	(26,825)	(377,900)
Provisions	(77,000)	-	(77,000)
Total net assets	<u>1,323,764</u>	<u>15,927</u>	<u>1,339,691</u>

17. RELATED CHARITIES

International Youth Hostel Federation

The directors consider that the International Youth Hostel Federation, an unincorporated charity registered with the Charity Commission for England and Wales (number 306038), is a related charity by virtue of the fact that both charities have the same trustees. IYHF is dormant with no transactions during the year (2019 – Nil).

Hostelling International Trading Limited

Hostelling International Trading Limited (company number 09019564) was registered and incorporated in the UK on 30th April 2014 and is a wholly owned subsidiary of Hostelling International. Hostelling International Trading Limited has been dormant since incorporation. The registered office is 2nd Floor Gate House, Fretherne Road, Welwyn Garden City, AL8 6RD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. LEGAL STATUS

The charity is limited by guarantee and has no share capital. Each member's liability is limited to £1.

19. RELATED PARTY TRANSACTIONS

Other than the transactions detailed in notes 5, 7 and 17 above, there were no related party transactions in either year.

20. POST BALANCE SHEET EVENTS

Since the year end, international travel restrictions have continued, and the UK entered a second national lockdown. Despite the slower than anticipated recovery to HI bookings, there was a noticeable upturn in related revenue from March 2021 onwards and this trend appears to be continuing.

Despite the post balance sheet closure of a number of hostels in the HI Network, fees from Member Associations are continuing to be received in line with historical trends, providing comfort on the charity's status as a going concern.

21. STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2019 (INCLUDING THE INCOME & EXPENDITURE ACCOUNT)

	<u>Note</u>	Unrestricted Funds <u>2019</u> £	Restricted Funds <u>2019</u> £	Total Funds <u>2019</u> £
INCOME FROM:				
Donations		78,975	22,576	101,551
Charitable activities	3	1,518,651	-	1,518,651
Other trading activities		9,876	-	9,876
Investment income	2	58,672	-	58,672
Total Income		<u>1,666,174</u>	<u>22,576</u>	<u>1,688,750</u>
EXPENDITURE ON:				
Raising funds		4,612	-	4,612
Investment management costs		9,984	-	9,984
Charitable activities				
Network and Brand		1,010,787	32,278	1,043,065
Web Services		832,046	-	832,046
Total Resources Expended		<u>1,857,429</u>	<u>32,278</u>	<u>1,889,707</u>
Net expenditure before investment gains		(191,255)	(9,702)	(200,957)
Net losses on investment assets	9	163,915	-	163,915
NET MOVEMENT IN FUNDS		<u>(27,340)</u>	<u>(9,702)</u>	<u>(37,042)</u>
Total funds brought forward at 1 January 2019	15	<u>1,351,104</u>	<u>25,629</u>	<u>1,376,733</u>
Total funds carried forward at 31 December 2019	15	<u>1,323,764</u>	<u>15,927</u>	<u>1,339,691</u>

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Registered Office

2nd Floor, Gate House
Fretherne Road
Welwyn Garden City
Herts
AL8 6RD
England

Bankers:

HSBC
Howardsgate
Welwyn Garden City
Herts
AL8 6BH
England

Auditor:

MHA MacIntyre Hudson
Sixth Floor, 2 London Wall Place
London
EC2Y 5AU
England

Investment Bankers:

Brewin Dolphin
12 Smithfield Street
London
EC1A 9BD
England

Solicitors:

Russell-Cooke LLP
2 Putney Hill
London
SW15 6AB
England

MEMBER ASSOCIATIONS (60)

COUNTRY	ASSOCIATION
ALGERIA	Fédération Algérienne des Auberges de Jeunesse
AUSTRALIA	YHA Australia
AUSTRIA	Österreichischer Jugendherbergsverband Hauptverband (ÖJHV)
AUSTRIA	Österreichisches Jugendherbergswerk (ÖJHW)
BAHRAIN	Bahrain Youth Hostels Society
BELGIUM	Les Auberges de Jeunesse (LAJ)
BELGIUM	Vlaamse Jeugdherbergen vzw (VJH)
BOLIVIA	Hostelling International Bolivia
BOSNIA & HERZEGOVINA	Youth Hostel Association of Bosnia and Herzegovina
BRAZIL	Federação Brasileira dos Albergues da Juventude
CANADA	Hostelling International – Canada
CHILE	Asociación Chilena de Albergues Turísticos Juveniles
CHINA	YHA China
CHINESE TAIPEI	Chinese Taipei Youth Hostel Association
CROATIA	Hrvatski Ferijalni i Hostelski Savez (Croatian YHA)
CZECH REPUBLIC	Czech Youth Hostel Association (CZYHA)
DENMARK	DANHOSTEL
EGYPT	Egyptian Youth Hostels Association
ENGLAND & WALES	YHA England & Wales
FINLAND	Suomen Hostellijärjestö – HI Finland
FRANCE	Fédération Unie des Auberges de Jeunesse (FUAJ)
GERMANY	DJH Hauptverband
HONG KONG	Hong Kong Youth Hostels Association
ICELAND	HI Iceland
INDIA	Youth Hostels Association of India
IRELAND (Northern)	Hostelling International-Northern Ireland
IRELAND (Rep of)	An Óige (Irish Youth Hostel Association)
ISRAEL	Israel Youth Hostels Association
ITALY	Associazione Italiana Alberghi per la Gioventù (AIG)
JAPAN	Japan Youth Hostels Inc
JORDAN	Jordan Youth Hostels Commission
KOREA (South)	Hostelling International Korea
KUWAIT	Kuwait Youth Hostel Committee
LEBANON	Lebanese Youth Hostels Federation
LIBYA	Libyan Youth Hostel Association
LUXEMBOURG	Centrale des Auberges de Jeunesse Luxembourgeoises
MALAYSIA	HI Malaysia
MALTA	NSTS Hostelling International
MOROCCO	Fédération Royale Marocaine des Auberges de Jeunes
NETHERLANDS	Stayokay
NEW ZEALAND	YHA New Zealand
NORWAY	Norske Vandrerhjem – HI Norway
PAKISTAN	Pakistan Youth Hostels Association
PHILIPPINES	Youth and Student Hostel Foundation of the Philippines
POLAND	Polskie Towarzystwo Schronisk Młodzieżowych (Polish YHA)

COUNTRY	ASSOCIATION
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MEMBER ASSOCIATIONS (60) (CONTINUED)

PORTUGAL	MOVIJOVEM
QATAR	Qatar Youth Hostels Association
ROMANIA	Romanian Hostelling - Association for Hiking and Youth Hostels
SAUDI ARABIA	Saudi Arabian Youth Hostels Association
SCOTLAND	SYHA Hostelling Scotland
SERBIA	Ferijalni i Hostelski savez Srbije (Youth Hostels Association of Serbia)
SLOVENIA	PZS – Hostelling International Slovenia
SPAIN	Red Española de Albergues Juveniles (REAJ)
SUDAN	Sudanese Youth Hostels Association
SWEDEN	Svenska Turistföreningen
SWITZERLAND	Schweizer Jugendherbergen
TUNISIA	Association Tunisienne des Auberges de Tourisme de Jeunes
UNITED ARAB EMIRATES	United Arab Emirates Youth Hostel Association
URUGUAY	Asociación de Alberguistas del Uruguay
USA	Hostelling International USA

HI Associate Organisations (2)

COUNTRY	ASSOCIATION
GREECE	Greek Youth Hostels Association
SYRIA	The Youth Tourism Organization (Syrian Youth Hostels Association)