



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 2021

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Registered Charity (in England & Wales) No. 1117014 | Company No. 02250706**

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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.

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.

Vision and Strategy

In 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:

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

- 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. The plan, which has been discussed, welcomed, and supported by the network, focuses on 5 relevant areas:

- 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) 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.

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 2021

During 2021, Hostelling International operated under the HI Transition Plan. The plan was designed by the CEO and Management Team.

The Board's focus continued to be managing HI's finances and to help lead the recovery and evolution of the hostelling movement. During 2021 the Board has undertaken several measures to continue stabilising its situation and provide a foundation for the future:

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- A major component of the Board's work has been to continue communicating with the network through regular video calls with Member Associations. These calls have been equally important to understand the evolution of the pandemic and impact on HI's Member Associations and to keep them informed of, and involved with, the work HI is undertaking to take hostelling to a strong future.
- The charity has continued taking advantage of the UK government's Coronavirus Job Retention Scheme to allow furloughed employees to return to work on a part-time basis until the scheme closed on 30 September 2021.
- Costs were reduced wherever possible and negotiations entered into with the landlord of our office to exit the lease early.
- HI-Aims project kicked off with the aim to advance on our diversity and inclusivity project.

The Board has continued their monthly meetings 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.

HI continues operating its activities under two umbrella headings; 1. Network and Brand, and 2. Web Services.

Network and Brand

During 2021, the HI network continued experiencing a reduction in bookings, especially in Group Bookings. Domestic markets strongly supported the opening of hostels and resumption of operations. The impact and challenges experienced across our network have varied greatly. While Europe and North America experienced a good season during 2021, Asia and Oceania continued to suffer with much reduced income and overnights. Regardless of the situation, Member Associations remained viable where they had the support of their government.

HI continued to support the global network by facilitating frequent communication, conducting a survey to analyse the impact of the pandemic across our network, and by identifying any new activities or services provided. Many of our Members diversified their services during the pandemic, offering new food and beverages services, opening up cafes to their local communities, and changing their accommodation on offer to support social distancing, such as including sleep pods. This diversification not only helped Member Associations to survive the pandemic, but also to create new revenue sources for the future.

Some network events, such as the Marketing Forums and the Operations & Sustainability forum were cancelled. However, we were able to host in Barcelona in October 2021, the first face to face CEO, Board and Staff meeting since 2020. This meeting helped unite the network through this challenging period and allowed members to share survival strategies and learning.

Regardless of the pandemic, we celebrated our yearly "Sleep For Peace" day with elevated levels of engagement from the Member Associations and from the wider hostelling community.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Marketing initiatives with the Network such as a live hostel event, a monthly newsletter and social media presence took place during 2021. We have entered into an agreement with UNWTO, supporting their UNWTO Students League with hostel overnights prizes. We are also having conversations about supporting their 2022 Youth Forum and hope to also increase Member Association engagement with the Students League. (<https://www.unwto.org/students-league-platform/>)

HI Sustainability Fund donations through the HI360 booking engine were minimal during 2020 and 2021, resulting in HI being unable to run its HI Sustainability Fund in 2021. On a positive note, HI is actively involved in helping our industry moving forward with the 2030 Sustainable Goals Agenda and is part of the Global Plastic Initiative and signed the Glasgow Declaration.

We have continued advancing our HI-Q&S programme by auditing hostels online. As part of the GSTC recognition programme, HI-Q&S certified hostels have been highlighted on Google, Booking.com and other OTAs. Excitingly, HI-Q&S has been recognised by the Green Scheme of Slovenian Tourism in February 2021.

Web Services

2021 has continued to present challenges for HI in terms of bookings through our HI360 booking engine. Whereas we have seen recovery in the domestic markets, international travel remained minimal due to worldwide travel restrictions and levels of COVID-19 infection. HI continued to operate web services for Hosted Affiliates, Affiliates and Digital Membership users.

We have maintained a low cost of operating Web Services by moving to a more agile model of agency support, which can be scaled up or down to meet the changing volumes and needs of our Web Services operations.

During 2021, the Future of Web Services Working Group analysed 4 potential scenarios for the future of our web services in order to meet the evolving needs of our network and customer expectations post COVID-19. The question we need to ask ourselves is how can our Web Services best serve Hostelling International to help achieve its strategy and mission? To answer this, we need to consider whether three key requirements can be met. Do the services:

1. Enable HI to promote the Charity's work globally?
2. Offer a realistic opportunity to provide funding for HI International?
3. Provide Web Services for the Member Associations who need it?

The Future of Web Services working group, in collaboration with Member Associations, proposed a future solution to the Board that has been accepted in 2022. HI will continue to offer digital membership to customers but will decommission its booking engine in June 2022. Instead, we will offer marketing and promotion services for hostels in the IYHF Network, providing links and other information for customer bookings. We will also support hosted affiliate members to transition to a new eCommerce bookings solution.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

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 up to nine members elected from candidates proposed by HI's Member Associations. Since the 2020 conference two of those places have remained vacant. Board members serve 4-year terms on a staggered basis meaning that normally only half of the Board seats come up for re-election at each biennial International Conference. At the 2022 conference there will be an additional two trustee places to fill due to the two vacancies carried forward from 2020. 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)	Term Ends / Ended
President	Stephan Kurmann (Switzerland)	2022
Vice President	Eric Oetjen (USA)	2022
	Uwe Boehm (Germany)	2022
Treasurer	Alan Bourne (England & Wales)	2022
Members	Sergio Montoya Ruiz De Angulo (Spain)	2024
	Rashid Al-Khalifa (Bahrain)	2022
	Sanni Virto (Finland)	2024

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, fill any vacancies that arise. 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 of four years each – on the Board and then up to an additional 6 years (3 terms of 2 years each) 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 an introductory video-call with the President and CEO, and training from our auditor MHA MacIntyre Hudson on their duties and responsibilities.

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

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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 since the 2020 conference. 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 as part of the 'HI Aims' project. Other highlighted issues such as a lack of informal discussion and the length of meetings resulted from the move to holding most meetings by video-call. 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.

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. The cost of this insurance is not separately available.

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

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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

At the date of signing, HI has ten employees of which four work part-time. This amounts to 8.2 full-time equivalents, of which one full time post is on maternity leave. At the head of the team is the CEO.

HI relinquished its office lease in Welwyn Garden City at the end of March 2022 as a cost saving and now no longer has a physical office. All staff work remotely from home but meet virtually at least once a week and are brought together for physical team meetings a few times a year.

Risk Management

HI's Risk Management Policy was agreed by the Board in March 2021. 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 identified in March 2022 were:

Strategic Risk

- Lack of coherent strategy and a sustainable business model
- Insufficient resilience to cope with current and future climate change
- Failure to provide sufficient value to National Associations and end customers
- Current competition grows faster than HI / new competitors enter the market (OTAs, hostel chains, airbnb etc)

Governance Risk

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

Operational Risk

- Cyber-attack or IT Failure at HI or critical third-party providers.
- Failure of HI360 booking engine

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.

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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.

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 2021 amounted to £744,096 (2020 £1,143,391) representing a decrease of 35% year on year, which reflects the impact of the COVID-19 global pandemic that persisted throughout the whole of 2021. Booking revenue decreased from £219,733 in 2020 to £166,340 in 2021. In 2020 HI received £253,530 of grants from the UK Government Coronavirus Job Retention Scheme for staff who were furloughed but in 2021 those grants only amounted to £24,747 following HI making half its staff redundant in September 2020 and bringing the remaining staff back to part-time work under the flexible furlough scheme.

In light of the ongoing 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 59% of HI's budgeted 2021 income. As it happened, 76% (2020 83%) of the 2021 fees were paid by the year-end and HI is grateful to the Member Associations for making those payments in such uncertain times. At year end, accumulated unpaid membership fees amounted to around £200,000 against which 50% has been set aside as a bad debt provision with the remainder expected to be paid over the next few years as Member Associations recover from the pandemic.

Total Resources Expended (before gains and losses on investments) amounted to £782,105 (2020 £1,539,919) representing a decrease of £757,814 year on year. This is largely due to savings in staff costs following the restructure, lower website running costs due to the reduction in booking volumes and significantly lower travel costs.

During the year, a donation-in-kind of £9,371 (2020 £19,329) was received from Google Grants (representing free online advertising costs).

Net gains on investment assets were £62,941 (£334,464 losses in 2020) following reinvestment in the portfolio as the market recovered.

The net movement in funds was a £24,932 increase in reserves compared to a reduction of £730,992 in 2020. Hence HI's reserves increased from £608,699 to £633,631 during 2021.

Fundraising

On HI's website, customers have been given the opportunity to offset their carbon footprint, during the booking process, or to donate via HI's Just Giving page. HI has not engaged in any other fundraising activities, or with any professional fund-raisers.

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The Charity is not registered with the Fundraising Regulator, did not receive any complaints during the year, and does not interact with vulnerable people through its fundraising activities.

Investment Policy

Normally cash that HI does not need access to in the short-term is put in the hands of our investment managers Brewin Dolphin. As at the end of 2021, £537,602 (2020 £427,624) was invested with 70% held in equities. The 25% increase in investments during the year represented the completion of reinvestment after funds were liquidated at the beginning of the pandemic in 2020. 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 (Brewin Dolphin category 6) tolerance.

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 2021, the investments achieved a gain (total return basis after deduction of management fees) of 13.2%, (-17.1% loss in 2020) reflecting the substantial recovery of stock prices as the economy picked up. The yield from dividends amounts to around £10,000 per annum (1.7% compared to 1.2% in 2020).

Reserves Policy

The total funds of the charity at 31 December 2021 were £633,631 (2020 £608,699), of which restricted funds amounted to £11,877 (2020 £6,654).

Hostelling International updated its Reserves Policy in August 2021. The policy 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 lower threshold is set as being the annual operating expenditure – a level deemed to be sufficient to withstand the occurrence of any of HI's high-risk scenarios as documented in its risk register. The worst-case financial modelling surrounding the effects of the pandemic undertaken at the beginning of 2021 gave us a benchmark. The upper threshold is set at twice the annual operating expenditure and aims to signal the point at which HI may be accumulating reserves unnecessarily and hence missing opportunities to deliver public benefit in accordance with its mission.

Based on the 2021 budget, the policy set our upper threshold at £1.57m and the lower threshold at £786k. At the year end, our free reserves stood at £602k and hence 23% below the lower threshold set by the reserves policy. The Board is conscious of this situation but is equally aware that its ability to increase free reserves back above the threshold remain limited while the effects of the pandemic persist. Moving from having a physical office to working fully virtually will significantly close the gap (by

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bringing down operating expenditure). Financial modelling suggests that reserves can be brought up to the level of the lower threshold by the end of 2023.

Going Concern

The Board has modelled the impact on reserves until the end of 2023 if all the key worst-case scenarios were to materialise. The key uncertainties relate to the level of income likely to be received from the Member Associations in relation to membership fees and web services. The level of unpaid membership fees due from Member Associations has significantly risen during the COVID-19 pandemic and it is hard to predict how quickly this debt can be brought back down to more typical levels given the continuing effects of COVID-19 on travel, especially in the Far East, along with emerging new threats surrounding travel such as reactions to climate change and economic instability worldwide. During 2022 HI will also be reorientating the web services it provides, and it will be some while before the extent that these new services will be taken up by Member Associations (and how quickly) becomes clear. Following scrutiny of the model, Trustees agreed that they are satisfied they have a 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 to be a material financial risk as the charitable company has sufficient funds, 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.

Post Balance Sheet Events

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.

HI relinquished its leased office at the end of March 2022, in return for a surrender payment of £38,318 plus VAT. No dilapidation payments were requested, allowing the release of the historical £81,000 provision in 2022. Furthermore, all operating lease commitments disclosed in Note 8 ceased to exist on 31 March 2022.

HI decommissioned its booking engine in June 2022 and, going forwards, will replace historic income from customer booking deposits with a fee for digital services, charged directly to Member Associations. In the short-term this will have a negative impact on cashflow until such time as fees are invoiced and paid for up-front, as is anticipated for 2023.

Plans for the Future

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 work

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towards a new strategy and adapt it to the new circumstances in order to protect HI and its network and ensure a bright future for hostelling.

The Strategy Plan Working Group has worked hard during 2021 to ensure there will be a proposal at Conference 2022 to agree on common actions and strategies. Three strategic areas underpin the concept of this proposed strategic plan. The strategic projects and actions undertaken by the HI office and the Member Associations collectively in the next five years will fall under one of these areas:

- **Recovery & Renewal.**

This strategic area presents a set of priorities designed to help Member Associations and the HI office collaborate to recover faster from the COVID-19 pandemic and position the federation to strengthen its role in the travel sector and the delivery of our mission in ways valued by young people, particularly 18 to 30-year-olds seeking to travel.

- **Brand with a Social Mission (Purposeful Brand).**

This strategic area presents a set of priorities designed to harness the true potential of the HI brand and showcase a strong brand with a recognized social mission that appeals to young people, whilst remaining 'open to all'.

- **Organisational Services that Increase HI's Social Impact.**

This strategic area establishes the priorities for services offered within the HI federation that support the ability to deliver its mission and achieve a measurable social impact. It includes services that enable HI to operate as a charitable organization, and optional services that involve additional fees or commissions to cover their costs optional.

This strategy and this new HI, aims to do things in a different way together with our members. The key drivers that will be necessary to ensure a successful strategy and stronger organisation are amongst others:

- Collaboration
- Digital transformation
- Innovation
- Focus on young people
- Customer centric approach

This strategy will help HI Office and the network to evolve and strengthen the federation together in an innovative and collaborative way. Within the strategy there are projects that will be key to the future of HI such as a new Web Service proposal where digitalisation will play a key role within our federation to achieve our goals and fulfil the mission. Other key projects are modernising our governance model, enhance our programmes and work towards SDGs.

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

26 July 2022



Alan Bourne
Treasurer

26 July 2022

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 2021 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 2021, 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.

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

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

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.

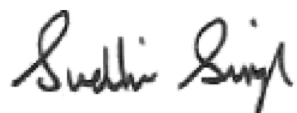
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL YOUTH HOSTEL FEDERATION (CONTINUED)

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

Statutory Auditor

London, United Kingdom

Date: 12 September 2022

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2021 (INCLUDING THE INCOME & EXPENDITURE ACCOUNT)

		Unrestricted	Restricted	Total	(Note 21) Total
		Funds	Funds	Funds	Funds
	Note	2021	2021	2021	2020
		£	£	£	£
INCOME FROM:					
Donations		9,582	4,644	14,226	27,419
Grants received		24,747	-	24,747	253,530
Charitable activities	3	695,429	-	695,429	846,172
Other trading activities		720	-	720	1,090
Investment income	2	8,974	-	8,974	15,180
Total Income		<u>739,452</u>	<u>4,644</u>	<u>744,096</u>	<u>1,143,391</u>
EXPENDITURE ON:					
Raising funds		332	-	332	539
Investment management costs		3,401	-	3,401	1,937
Charitable activities					
Network & Brand	4	470,098	(579)	469,519	921,239
Web Services	4	308,853	-	308,853	616,204
Total Resources Expended		<u>782,684</u>	<u>(579)</u>	<u>782,105</u>	<u>1,539,919</u>
Net expenditure before investment gains / (losses)		(43,232)	5,223	(38,009)	(396,528)
Net gains/(losses) on investment assets	9	62,941	-	62,941	(334,464)
NET MOVEMENT IN FUNDS		<u>19,709</u>	<u>5,223</u>	<u>24,932</u>	<u>(730,992)</u>
Total funds brought forward	15, 16	602,045	6,654	608,699	1,339,691
Total funds carried forward	15, 16	<u>621,754</u>	<u>11,877</u>	<u>633,631</u>	<u>608,699</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 2021

	<u>Note</u>	<u>2021</u> £	<u>2020</u> £
FIXED ASSETS			
Tangible fixed assets	10	20,181	26,316
Investments	9	537,602	427,624
Total Fixed Assets		557,783	453,940
CURRENT ASSETS			
Stock		5,192	5,525
Debtors	11	218,747	133,460
Cash held for investment	12	28,678	160,692
Cash at bank and in hand	12	100,224	216,528
Total Current Assets		352,841	516,205
CREDITORS: Amounts falling due within one year	13	195,993	280,446
NET CURRENT ASSETS / (LIABILITIES)		156,848	235,759
TOTAL ASSETS LESS CURRENT LIABILITIES		714,631	689,699
PROVISIONS FOR LIABILITIES AND CHARGES	14	81,000	81,000
TOTAL NET ASSETS		633,631	608,699
THE FUNDS OF THE CHARITY			
Unrestricted funds			
General fund	15	621,754	602,045
Restricted funds	15	11,877	6,654
		633,631	608,699

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 26 July 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> £	<u>2020</u> £
Net cash flows from operating activities	(210,255)	(484,380)
Cash flows from investing activities:		
Investment income received	8,974	15,180
Purchase of property, plant and equipment	-	(750)
Proceeds from sale of investments	90,457	1,117,632
Purchase of investments	(137,494)	(433,287)
Net cash flows from investing activities	<u>(38,063)</u>	<u>698,775</u>
Net (decrease) / increase in cash and cash equivalents	(248,318)	214,395
Cash and cash equivalents at beginning of year	377,220	162,825
Cash and cash equivalents at the end of the year	<u><u>128,902</u></u>	<u><u>377,220</u></u>
Being:		
Cash held for investment	28,678	160,692
Cash at bank and in hand	<u>100,224</u>	<u>216,528</u>
	<u><u>128,902</u></u>	<u><u>377,220</u></u>

Reconciliation of net expenditure to net cash flow from operating activities

	<u>2021</u> £	<u>2020</u> £
Net expenditure as per the statement of financial activities	24,932	(730,992)
Adjustments for:		
Depreciation charges	6,135	6,246
Provisions	-	4,000
Losses / (gains) on investments	(62,941)	334,464
Dividends, interest and rents from investments	(8,974)	(15,180)
Decrease / (increase) in stocks	333	539
Decrease / (increase) in debtors	(85,287)	13,997
(Decrease) / increase in creditors	(84,453)	(97,454)
Net cash flows from operating activities	<u><u>(210,255)</u></u>	<u><u>(484,380)</u></u>

The Charity did not have any net debt at either the current or prior year end and as such is not disclosing an analysis of movements in net debt table.

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. The Trustees have performed a robust analysis of forecast future cash flows for the period up to the end of December 2023, which the Trustees consider to be the realistic foreseeable future, taking into account the potential impact on the business of possible future scenarios. This analysis also considered 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.
- 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:

- £24,747 of government grants recognised on an accruals basis under the Coronavirus Job Retention Scheme in 2021 (2020: £253,530), to cover payroll costs of employees who were furloughed as a result of 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 2021.
- 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>2021</u>	<u>2020</u>
	£	£
Dividends on listed equities	6,971	7,275
Interest on listed securities	1,988	3,566
Interest on other interest-bearing accounts	15	4,339
	<u>8,974</u>	<u>15,180</u>

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	<u>2021</u>	<u>2020</u>
	£	£
Membership Fees	463,703	528,394
Booking Revenue	166,340	219,733
Other fees from members	60,897	98,045
Other income	4,489	-
	<u>695,429</u>	<u>846,172</u>
Attributable to geographical markets outside the UK	625,177	762,721

4. RESOURCES EXPENDED – CHARITABLE ACTIVITIES & SUPPORT COSTS

	2021			2020	
	Direct	Support		Direct	Support
	Costs	Costs	Total	Costs	Costs
	£	£	£	£	£
Network & Brand					
Grants awarded	2,201	-	2,201	16,225	-
Staff costs	154,843	136,470	291,313	371,459	259,256
Facilities & equipment	-	87,828	87,828	247	81,877
Professional services	30,058	43,010	73,068	38,568	34,326
Travel & subsistence	492	1,655	2,147	8,252	3,818
Depreciation	-	4,601	4,601	-	3,807
Other	35,205	(26,844)	8,361	79,948	23,456
Total Network & Brand	<u>222,799</u>	<u>246,720</u>	<u>469,519</u>	<u>514,699</u>	<u>406,540</u>
Web Services					
Staff costs	82,831	45,490	128,321	234,549	166,041
Facilities and equipment	-	29,276	29,276	-	52,438
Professional services	-	14,337	14,337	129	21,984
Travel and subsistence	605	552	1,157	-1,278	2,445
Depreciation	-	1,534	1,534	-	2,439
Other	143,176	(8,948)	134,228	122,434	15,023
Total Web Services	<u>226,612</u>	<u>82,241</u>	<u>308,853</u>	<u>355,834</u>	<u>260,370</u>
Total expenditure on charitable activities	<u>449,411</u>	<u>328,961</u>	<u>778,372</u>	<u>870,533</u>	<u>666,910</u>

The negative "Other" costs arise due to the release of a historic VAT creditor balance of £66,261 in the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. RESOURCES EXPENDED – CHARITABLE ACTIVITIES & SUPPORT COSTS (CONTINUED)

Analysis of Support Costs

	Network & Brand £	Web Services £	Total £	Network & Brand £	Web Services £	Total £
Governance	349	116	465	3,510	2,248	5,758
Management	54,423	18,141	72,564	115,173	73,762	188,935
Finance, IT, HR	110,495	36,832	147,326	206,363	132,165	338,528
Facilities costs	81,453	27,152	108,606	81,495	52,194	133,689
	<u>246,720</u>	<u>82,241</u>	<u>328,961</u>	<u>406,541</u>	<u>260,369</u>	<u>666,910</u>

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

5. STAFF COSTS

	<u>2021</u> £	<u>2020</u> £
Gross Salaries	321,334	710,142
Social security costs	35,160	80,687
Termination costs	35,000	178,407
Pension costs	21,271	39,602
	<u>412,765</u>	<u>1,008,838</u>
Health costs	3,912	9,588
Other costs associated with employees	2,958	7,870
	<u>419,635</u>	<u>1,026,296</u>

Termination costs include non-contractual costs of £35,000 (2020: £68,918). Having been paid during the year, no termination costs are included in the year-end creditors value (2020: £14,132).

	<u>No. in 2021</u>	<u>No. in 2020</u>
Employees whose benefits were between:		
£60,000 - £70,000	1	-
£70,000 - £80,000	-	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 £4,200 (2020 £7,337).

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. In 2021 the total remuneration for the Chief Executive during the year was £66,655 (2020 £181,190). The total remuneration for the Chief Executive in 2020 included a termination payment of £67,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. STAFF COSTS (CONTINUED)

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

	<u>No. in 2021</u>		<u>No. in 2020</u>	
	Average No.	Full Time Equivalent	Average No.	Full Time Equivalent
Network & Brand	2	2	10	9
Web Services	1	1	6	6
Support costs including management	6	5	5	4
	9	8	21	19

6. TOTAL EXPENDITURE included:

	<u>2021</u>	<u>2020</u>
	£	£
Depreciation	6,135	6,246
Fees payable to the company's auditor:		
For the audit of the company's annual accounts	14,500	13,250
For additional 2020 considerations related to COVID-19	-	3,000
Under accrual for 2019 audit services	-	3,000
Rentals under operating leases	76,635	77,917
Foreign exchange gains	(1,901)	(2,327)
Cost of stock recognised as an expense	332	539

7. TRUSTEES' EXPENSES

The trustees who served during the year are shown on page 7. No trustee received remuneration during 2021 (2020 – Nil). Travel and other expenses reimbursed to the trustees during the year amounted to £465 when they attended a meeting of Member Association CEOs in Barcelona (2020 £nil; virtual meetings only). 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>2021</u>		<u>2020</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within one year	76,635	712	76,635	712
Between one and five years	456,930	178	440,540	890
Between five and twenty five years	46,513	-	139,538	-
	580,078	890	656,713	1,602

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENTS

	<u>2021</u> £	<u>2020</u> £
Securities		
Fair value at 1 January	427,623	1,446,432
Acquisitions at cost	137,495	433,287
Disposals at carrying value	(90,458)	(1,117,632)
Net gains / (losses) in the year	62,941	(334,464)
Fair value at 31 December	<u>537,601</u>	<u>427,623</u>
Investment in Subsidiary		
Share in wholly owned subsidiary (at cost) (note 17)	1	1
Total investments	<u>537,602</u>	<u>427,624</u>

Analysis of investments by type

	<u>2021</u> £	<u>2020</u> £
Bonds	51,798	20,233
Equities	413,981	325,988
Other Investments	71,822	81,402
Investment in subsidiary	1	1
	<u>537,602</u>	<u>427,624</u>

The value of securities shown in the Balance Sheet is the market value at 31 December 2021. The historical costs are shown below:

	<u>2021</u> £	<u>2020</u> £
Historical cost at 31 December	454,735	394,586

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 2021	2,169,289	130,215	2,801	101,732	2,404,037
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2021	<u>2,169,289</u>	<u>130,215</u>	<u>2,801</u>	<u>101,732</u>	<u>2,404,037</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TANGIBLE FIXED ASSETS (CONTINUED)

	Website Development <u>Costs</u> £	Freehold Land and Buildings £	Leasehold Improvements £	Office Equipment £	Total £
<u>Depreciation</u>					
At 1 January 2021	2,169,289	110,677	2,801	94,954	2,377,721
Provided for in year	-	3,255	-	2,880	6,135
Disposals	-	-	-	-	-
At 31 December 2021	2,169,289	113,932	2,801	97,834	2,383,856
<u>Net Book Value</u>					
At 31 December 2021	-	16,283	-	3,898	20,181
At 31 December 2020	-	19,538	-	6,778	26,316

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).

Accumulated Depreciation would have been £92,276 if based on the historical cost (2020: £89,371). 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>2021</u> £	<u>2020</u> £
Member Associations	102,016	41,823
Other debtors	50,879	27,553
Prepayments and accrued income	65,852	64,084
	<u>218,747</u>	<u>133,460</u>

12. CASH AT BANK AND IN HAND

	<u>2021</u> £	<u>2020</u> £
Cash held for investment	<u>28,678</u>	<u>160,692</u>
	<u>2021</u> £	<u>2020</u> £
Current accounts	97,231	213,535
Petty cash	2,993	2,993
	<u>100,224</u>	<u>216,528</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2021</u>	<u>2020</u>
	£	£
Member Associations	38,778	15,262
Trade creditors	55,557	26,848
Amounts owed to subsidiary undertakings	1	1
Other taxes and social security	17,503	76,341
Other creditors and accruals	69,817	139,151
Grant award creditor	14,337	22,843
	<u>195,993</u>	<u>280,446</u>

Included in Other creditors and accruals is a balance of £2,201 (2020: £2,780) relating to CO2 offset donations received, under an agreement with Myclimate. Donations of £2,780 were paid to Myclimate during the year (2020 £nil).

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.

	<u>2021</u>	<u>2020</u>
	£	£
Grants awarded in 2015: HI Iceland	7,000	7,000
Grants awarded in 2019: 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	2,126
Hihostels Brasil	2,126	2,126
	<u>14,337</u>	<u>22,843</u>

14. PROVISIONS

	<u>2021</u>	<u>2020</u>
	£	£
End of lease dilapidations provision	<u>81,000</u>	<u>81,000</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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FUNDS

2021	<u>Restricted</u>		
	<u>General Fund</u>	<u>Funds</u>	<u>Total Funds</u>
	£	£	£
Balance at 31 December 2020	602,045	6,654	608,699
Incoming resources	739,452	4,644	744,096
Expenditure	(782,684)	579	(782,105)
Net losses on investment assets	62,941		62,941
Balance at 31 December 2021	<u>621,754</u>	<u>11,877</u>	<u>633,631</u>

2020	<u>Restricted</u>		
	<u>General Fund</u>	<u>Funds</u>	<u>Total Funds</u>
	£	£	£
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 gains on investment assets	(334,464)	-	(334,464)
Balance at 31 December 2020	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>

In 2012, Hostelling International launched the Sustainability Fund on hihostels.com to enable HI customers to make a donation to offset the CO2 of their overnight stay. Part of the donated amount is passed to Myclimate for carbon offsetting projects. 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 £8,506 were paid during the year and related to grants awarded in 2020 (2020: Grants totalling £21,026 were paid and related to £6,026 awarded in 2014, £5,000 awarded in 2015, and £10,000 awarded in 2019). See note 13.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

2021	<u>Unrestricted</u>		<u>Total funds</u>
	<u>General</u>	<u>Restricted</u>	
	£	£	£
Tangible fixed assets	20,181		20,181
Investments	537,602		537,602
Current assets	352,841		352,841
Current liabilities	(207,870)	11,877	(195,993)
Provisions	(81,000)		(81,000)
Total net assets	<u>621,754</u>	<u>11,877</u>	<u>633,631</u>

2020	<u>Unrestricted</u>		<u>Total funds</u>
	<u>General</u>	<u>Restricted</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>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (2020 – 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 7 Bell Yard, London, WC2A 2JR.

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. Transactions with Member Associations that have representatives on the HI Board do not represent related party transactions.

20. POST BALANCE SHEET EVENTS

HI relinquished its leased office at the end of March 2022, in return for a surrender payment of £38,318 plus VAT. No dilapidation payments were required, allowing the release of the historical £81,000 provision in 2022. Furthermore, all operating lease commitments disclosed in Note 8 ceased to exist on 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Note</u>	Unrestricted Funds <u>2020</u> £	Restricted Funds <u>2020</u> £	Total Funds <u>2020</u> £
INCOME FROM:				
Donations		20,467	6,952	27,419
Grants received		253,530	-	253,530
Charitable activities	3	846,172	-	846,172
Other trading activities		1,090	-	1,090
Investment income	2	15,180	-	15,180
Total Income		<u>1,136,439</u>	<u>6,952</u>	<u>1,143,391</u>
EXPENDITURE ON:				
Raising funds		539	-	539
Investment management costs		1,937	-	1,937
Charitable activities				
Network and Brand		905,014	16,225	921,239
Web Services		616,204	-	616,204
Total Resources Expended		<u>1,523,694</u>	<u>16,225</u>	<u>1,539,919</u>
Net expenditure before investment gains		(387,255)	(9,273)	(396,528)
Net losses on investment assets	9	(334,464)	-	(334,464)
NET MOVEMENT IN FUNDS		<u>(721,719)</u>	<u>(9,273)</u>	<u>(730,992)</u>
Total funds brought forward at 1 January 2020	15	<u>1,323,764</u>	<u>15,927</u>	<u>1,339,691</u>
Total funds carried forward at 31 December 2020	15	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Registered Office

7 Bell Yard
London
WC2A 2JR
England

Bankers:

HSBC
Howardsgate
Welwyn Garden City
Herts
AL8 6BH

Auditor:

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

Investment Bankers:

Brewin Dolphin
12 Smithfield Street
London
EC1A 9BD

Solicitors:

Russell-Cooke LLP
2 Putney Hill
London
SW15 6AB

Trademarks:

Murgitroyd
Arena Point
Merrion Way
Leeds
LS2 BPA

VAT:

Constable VAT Consultancy
12 Dedham Vale Business Centre
Manningtree Road
Essex
CO7 6BL

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)

MEMBER ASSOCIATIONS (60) (CONTINUED)

COUNTRY	ASSOCIATION
PORTUGAL	MOVIOJEM
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)