



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 2022

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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 fifty nine 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 charitable object:

“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 2022 the HI Strategy working group proposed a Strategic direction and plan for the network for the period 2022-26, this was endorsed by the members at the 54th conference.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

The goals for 2026 are:

- Growth in the number of people, overnights and income in our Federation.
- Growth in number of young people recognising and engaging with the HI Brand and Federation.
- Growth in guest satisfaction and quality recognition.
- Growth in Member Associations participation in collaborative projects and programs that strengthen hostelling.
- Increased recognition of HI's leadership in youth travel and sustainable tourism.

The Strategic Priorities to meet these goals are the following:

1. Survive, Then Thrive! - Increase Impact
 - Support Hostelling's Recovery
 - Win More Travellers to Hostelling
 - Differentiate Our Hostels
 - Increase the Visibility of Our Leadership
2. Strengthen Our Fundamentals - Functional capabilities
 - Enhance Collaboration
 - Better Position Our Purposeful Brand
 - Expand Technology
 - More Efficient Governance

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REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

OBJECTIVES AND ACTIVITIES

HI achieves its mission through its Member Associations, and Direct Licensed Hostels. The HI network has fifty nine 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.

Up to June 2022, our website www.hihostels.com offered a single place for travellers to discover and book hostels throughout the HI network. In July 2022 the website changed from being a booking platform to a content and inspiration hub for travellers looking for a sustainable way of travelling internationally.

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, hihostels.com 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 2022

The International Office and network started working under the 2022-2026 Strategic plan designed by the CEO, Management Team and Strategy working group.

HI continues operating its activities under two main teams; Network and Brand, and Technology Services.

In December 2022, having taken advice support from our legal advisors, Russell Cooke, and our solicitors in Peru, the hostel in Lima, Peru was sold, generating a net profit of £941,342 for HI.

NETWORK AND BRAND

2022 saw the partial recovery of most Member Associations with travel resuming and visitors coming back. In Europe, North America and Australia for most of 2022 was as good a year, if not better than 2019. In Asia and Africa problems remain and travel restrictions still apply.

Only one member chose to leave the network in 2022, STF Sweden terminated their membership in September.

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

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

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.

Network events

Critical for communication and strong relationships in the network, face to face meetings are key events throughout the year and we were able to resume these in 2022.

The European Regional Conference was organised by EUFED in Austria in March to gather the Presidents and CEOs of our European member associations.

Later in the year, in September, we organised our 54th International Conference and General meeting in Doha, Qatar. 37 member associations were represented by 58 delegates and observers in person and 13 delegates attended virtually. It was the first time we organised a hybrid event allowing delegates to attend virtually if they could not travel to the event.

Programmes & Membership

Our global programmes partially resumed with the celebration of the UN International Day of Peace on 21 September with our *Say Hi For Peace* programme (previously called *Sleep For Peace*) with increased levels of engagement from the Member Associations and from the wider hostelling community.

The HI-Connect programme was still on hold and work resumed in the last quarter of 2022 to restart the programme in 2023.

The membership programme continued to benefit over 3 million members across the HI network with each member association offering discounts at a national level and international discounts offered by partners of HI. With their membership travellers get access to affordable rates in all HI hostels and travel related discounts. HI continued to sell digital memberships on hihostels.com.

Our member associations also continued to organise programmes for the hostel guests, with hundreds of activities and programmes across the network continuing to offer opportunities to young people of all means to explore the world and meet new people. Examples of programmes include exchange programmes, volunteering, civil service, clean-ups, shared meals, free tours, game nights...

Partnerships

We continued our collaboration with UNESCO and UNWTO and attended the very first Global Youth Tourism Summit in Sorrento, Italy in July 2022 where 150 young children from around the world got together to discuss their views on tourism and sustainability.

We remain partners of the Erasmus Student Network offering free memberships to ESN card holders and ensuring students have access to affordable accommodation all over the world.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

HI remains a full member of the World Youth Student and Educational Travel Conferderation (WYSE). They bring together key players of the youth travel industry and give us access to a global knowledge network, events and targeted research.

Sustainability & Quality

HI Sustainability Fund donations were minimal in 2022 due to the low percentage of bookings and since the booking engine was decommissioned in July they are reduced to stand-alone donations. This resulted in HI being unable to run its HI Sustainability Fund in 2022.

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 and again in person after a two-year interruption. In 2022 we had a total of 390 contracted hostels; 180 HI-Q certified, 177 HI-Q&S certified and 54 in progress (awaiting audit in 2023). Furthermore, seven Head Offices are certified HI-Q&S: Belgium LAJ, HI Iceland, Luxembourg YHs, Movijovem, Swiss YHs, Stayokay, HI USA; and two HI-Q: DJH and HI Israel.

We've continued to monitor the overall guest satisfaction of the HI network with our partner ReviewPro and have been pleased to see overall ratings (82.3% GRI) go up again after two quiet years.

We started looking for a new software partner to conduct our audits online and enable self-assessments for HI Standards. We secured an agreement with FORM and started implementation in early 2023.

Marketing

We sustained our direct marketing efforts with a monthly newsletter to our 16,000 English subscribers and social media presence to 140,000 followers across all platforms (Facebook, Twitter, Instagram).

We attended some B2B industry events by WYSE with representatives of our member associations to represent the HI network and brand. We attended the Staywyse Hostel Conference in Amsterdam in April and WYSTC in Lisbon in September.

TECHNOLOGY SERVICES

The first two quarters of 2022 saw the acceleration of fundamental issues with the website and the implementation of the solution proposed by the Future of Web Services working group and accepted by the Board.

In July 2022 a brand-new website was launched offering digital membership to customers but no more direct hostel bookings. The main objective of the website is now to provide relevant content to young international travellers about hostel, experiences and sustainable travel, as well as sending web traffic to Member association's own website that they would not get on their own.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Hostels are featured on the website with individual pages linking to the Member Association's website and booking engine, where available. This allows them stay in control of their allocation, the customer experience and provide the best information and booking experience to visitors.

Our technology partner for the development of this website and our future digital solutions is 934 Ltd. With them we started developing the concept of digital HI ecosystem allowing future-proof solution for HI and its members.

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. Between the 2020 and 2022 conferences two of those places 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. The President must stand for election at every International Conference.

The following trustees served on the date this Annual Report was signed, or during the reporting period:

Name (Nationality)	Position	Period of office
Abdussalam El Arabi (Libya)	Member	From September 2022
Alan Bourne (UK)	Treasurer	Throughout
Eric Oetjen (USA)	Vice President	To September 2022
Hussain Ali Alhababi (Qatar)	Member	From September 2022
Miguel Perestrello (Portugal)	Vice President	From September 2022
Nicole Sandoval (USA)	Member	From September 2022
Rashid Al-Khalifa (Bahrain)	Member	To September 2022
Sanni Viirto (Finland)	Member	Throughout
Sergio Montoya Ruiz De Angulo (Spain)	Member	Throughout
Stephan Kurmann (Switzerland)	President	Throughout
Uwe Boehm (Germany)	Vice President	Throughout

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Throughout 2022 and until the date of signing, the executive was led by Brianda Lopez (as interim CEO until end of June 2022 then as CEO).

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 at the biennial conference 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 attended an induction session with the HI President, Treasurer and CEO. Our auditor, MHA, also provided a short reminder session for all Trustees to outline 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 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

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

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 and sets a delegation of authority regarding limits on expenditure, contracts etc.

Trustees' Indemnity Insurance

The charitable company has purchased insurance for the UK 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 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 8.1 full-time equivalents. 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.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

The key risks for HI identified in May 2023 were:

Strategic Risk

- Insufficient resilience influence and limited capabilities of the IYHF Network to cope with current and future climate change
- Failure to provide sufficient value to Member Associations and end customers.

Governance Risk

- Existing Governance arrangements of HI and/or its Member Associations restrict HI's efficiency in making decisions on behalf of the organisation

Operational Risk

- Cyber-attack or IT Failure at HI or critical third-party providers.
- Legal and insurance exposure due to the international residency of HI staff and Trustees

Financial Risk

- Major disruption to international travel (e.g. pandemic) or external environment outside HI's control.

Reputational Risk

- Inadequate safeguarding of hostel users / poor customer experience 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.

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 2022 amounted to £1,578,639 (2021 £744,096) but this included £941,342 in relation to the profit on the sale of the hostel in Lima, Peru. Leaving aside this one-off income from the property sale, income decreased by £106,799 year on year. This can largely be attributed to the Board's decision to not bill a membership levy in 2022 to help the Member Associations to recover from the effects of the pandemic.

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 53% of its 2022 budgeted income (59% in 2021). As it happened, 91% of the 2021 fees and 89% of the 2022 fees were paid by the 2022 year-end. At the end of 2021, outstanding membership fees relating to all years amounted to £294,940 but this fell to £138,821 by the end of 2022. HI is grateful to the Member Associations for making those payments in such uncertain times.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

Total Resources Expended (before gains and losses on investments) amounted to £629,150 (2021 £782,105) representing a decrease of 14% year on year. This is largely attributed to savings resulting from ending our lease of office space in Welwyn Garden City.

During the year, a donation-in-kind of £1,132 (2021 £9,371) was received from Google Grants (representing free online advertising costs).

Net losses on investment assets were £83,711 (2021 £62,941 gain) reflecting the turbulence in the money markets as a result of economic issues post pandemic and due to the war in the Ukraine.

The net movement in funds was an £865,778 increase in reserves compared to an increase of £24,932 in 2021. Hence HI's reserves increased from £633,631 to £1,499,409 during 2022.

Fundraising

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

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. During 2022 HI neither passed surplus cash across to Brewin Dolphin or needed to sell investments for cash. The substantial funds received from the sale of the Lima property was still held in the form of cash at the end of 2022. However, the Board at their January 2023 meeting agreed that £800,000 should be passed to Brewin Dolphin to invest. As at the end of 2022, £478,376 (2021 £537,601) was invested with 69% held in equities (77% in 2021), 14% in bonds (10% in 2021), and 17% in a mix of other investment types (14% in 2021). 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.

The yield from dividends in 2022 amounted to £10,578 (£8,958 in 2021).

Reserves Policy

The total funds of the charity at 31 December 2022 were £1,499,409 (2021 £633,631), of which restricted funds amounted to £12,856 (2021 £11,877).

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

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 2022 revised budget, the policy set our upper threshold at £1.32m and the lower threshold at £662k. At the year end following the sale of the Lima property, our free reserves stood at £1.5m and hence 13% above the upper threshold set by the reserves policy. The Board continues to review opportunities that might bring HI back below the upper threshold.

Going Concern

The level of HI’s free reserves normally follows an annual cycle with the low point being in January before the annual fees are invoiced to Member Associations. In January 2023 this low point was approximately £1.4m following the receipt of a net £950k from the sale of HI’s property in Lima. Over the two years 2023 and 2024 the aim is to set and achieve a balanced budget – hence maintaining minimum free reserves of £1.4m.

The Board has considered what could happen to its reserves if ‘worst-case’ scenarios were to materialise. HI’s risk register states our key financial risk is a “major disruption to international travel (e.g. pandemic) or external environment outside HI’s control”. Our recent experience of the Covid19 pandemic helpfully gives us a benchmark for what could happen as well as pointing to what we might do differently in similar circumstances. However, the Board is mindful that such an event happening so soon after Covid19 could play out differently particularly as the Member Associations on whom we depend on are, to varying degrees, still in recovery mode.

In 2021 we received around 75% of the fees due for that year despite most Member Associations having limited trade during the year. If this was to be repeated, we could cover at least 40% of our core costs from received fees, leaving a shortfall of £350k to fund from reserves. With free reserves of at least £1.4m to cover for unpaid fees, this would be sufficient to cover budgeted costs for three years even if the value of investments fell by 25% (as happened in 2020). In the extreme scenario of no income from members, we have sufficient reserves to cover two years of expenditure before allowing for any short-term savings we might be able to make.

The 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

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

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 members 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

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 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 presented several updates to the HI strategy at Conference 2022, to agree common actions and strategies. Three strategic areas underpin the concept of the 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 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, aim to do things in a different way together with our members. The key drivers that will be necessary to ensure successful delivery of the strategy and a stronger organisation are, amongst others:

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

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

During 2022, the Strategy WG met monthly to advance on the key strategic areas and made good progress, especially, regarding Digitalisation and Brand.

The strategy is complemented by a number of Board Projects that are being progressed by Working Groups led by Board members, as follows:

- **HI Aims:** Under the HI values, this project focuses to advance and provide clarification and understanding around Diversity, Equity, Inclusion and Belonging (DEIB) and to create a policy and key targets in this area.
- **Federation Expansion and Membership Concept:** A project to look at ways to explore how to expand our Federation both geographically and through our membership categories. This project also aims to identify and identify a new structure for membership fees and voting rights.
- **HI Registered Office:** A project to address a Conference motion to investigate the benefits and disadvantages surrounding moving the registered address of Hostelling International from the United Kingdom into the European Union and to report its conclusions to the Member Associations by the 2024 conference at the latest.
- **HI Conference Criteria:** A project focused on delivering a fair and transparent process and criteria to support the Board of HI selecting future venues for international conferences.
- **Modernising Governance –** Identifying changes to HI's governance documents aimed at streamlining the organisation's strategic decision making processes.

The strategy will help HI and the network to evolve and strengthen together as a federation, 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.

We continue the 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

18 07 2023



Alan Bourne

Treasurer

18 07 2023

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 2022 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 2022, 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

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

- 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.

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, including at service organisations;
- 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,

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

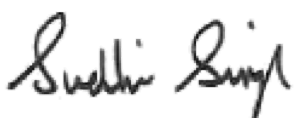
- Evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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, Statutory Auditor

London, United Kingdom

Date: 29 August 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2022 (INCLUDING THE INCOME & EXPENDITURE ACCOUNT)

		Unrestricted	Restricted	Total	(Note 21) Total
		Funds	Funds	Funds	Funds
	Note	2022	2022	2022	2021
INCOME FROM:		£	£	£	£
Donations		4,800	1,442	6,242	14,226
Grants received		-	-	-	24,747
Charitable activities	3	615,993	-	615,993	695,429
Other trading activities		4,382	-	4,382	720
Investment income	2	10,582	-	10,582	8,974
Other income		98	-	98	-
Profit on Sale of Property	10	941,342	-	941,342	-
Total Income		1,577,197	1,442	1,578,639	744,096
EXPENDITURE ON:					
Raising funds		2,023	-	2,023	332
Investment management costs		2,211	-	2,211	3,401
Charitable activities					
Network & Brand	4	439,533	463	439,996	469,519
Web Services	4	184,920	-	184,920	308,853
Total Resources Expended		628,687	463	629,150	782,105
Net income/(expenditure) before investment gains / (losses)		948,510	979	949,489	(38,009)
Net (losses)/gains on investment assets	9	(83,711)	-	(83,711)	62,941
NET MOVEMENT IN FUNDS		864,799	979	865,778	24,932
Total funds brought forward	15, 16	621,754	11,877	633,631	608,699
Total funds carried forward	15, 16	1,486,553	12,856	1,499,409	633,631

All operations are classed as continuing.

The notes on pages 23 to 37 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> £	<u>2021</u> £
FIXED ASSETS			
Tangible fixed assets	10	40,822	20,181
Investments	9	478,377	537,602
Total Fixed Assets		519,199	557,783
CURRENT ASSETS			
Stock		3,169	5,192
Debtors	11	85,792	218,747
Cash held for investment	12	11,095	28,678
Cash at bank and in hand	12	1,143,595	100,224
Total Current Assets		1,243,651	352,841
CREDITORS: Amounts falling due within one year	13	263,441	195,993
NET CURRENT ASSETS		980,210	156,848
TOTAL ASSETS LESS CURRENT LIABILITIES		1,499,409	714,631
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	81,000
TOTAL NET ASSETS		1,499,409	633,631
THE FUNDS OF THE CHARITY			
Unrestricted funds			
General fund	15	1,486,553	621,754
Restricted funds	15	12,856	11,877
		1,499,409	633,631

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 18 07 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>2022</u> £	<u>2021</u> £
Net cash flows from operating activities	128,717	(210,255)
Cash flows from investing activities:		
Investment income received	10,582	8,974
Proceeds from sales of fixed assets	957,141	-
Purchase of property, plant and equipment	(46,166)	-
Proceeds from sale of investments	119,011	90,457
Purchase of investments	(143,497)	(137,494)
Net cash flows from investing activities	<u>897,071</u>	<u>(38,063)</u>
Net increase / (decrease) in cash and cash equivalents	1,025,788	(248,318)
Cash and cash equivalents at beginning of year	128,902	377,220
Cash and cash equivalents at the end of the year	<u>1,154,690</u>	<u>128,902</u>
Being:		
Cash held for investment	11,095	28,678
Cash at bank and in hand	<u>1,143,595</u>	<u>100,224</u>
	<u>1,154,690</u>	<u>128,902</u>

Reconciliation of net expenditure to net cash flow from operating activities

	<u>2022</u> £	<u>2021</u> £
Net expenditure as per the statement of financial activities	865,778	24,932
Adjustments for:		
Depreciation charges	9,824	6,135
(Gain) on disposal of fixed assets	(941,440)	-
Losses / (gains) on investments	83,711	(62,941)
Dividends, interest and rents from investments	(10,582)	(8,974)
Decrease in stocks	2,023	333
Decrease / (increase) in debtors	132,955	(85,287)
Increase / (decrease) in creditors	67,448	(84,453)
(Decrease) / increase in provisions	(81,000)	-
Net cash flows from operating activities	<u>128,717</u>	<u>(210,255)</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 38.

- 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 2024, 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 pages 14 and 15 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 in excess of £500 are capitalised at cost and depreciated in equal annual instalments over 2 years.
 - 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:

- 2021: £24,747 of government grants recognised on an accruals basis under the Coronavirus Job Retention Scheme 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 2022.
- 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>2022</u>	<u>2021</u>
	£	£
Dividends on listed equities	7,594	6,971
Interest on listed securities	2,985	1,988
Interest on other interest-bearing accounts	3	15
	<u>10,582</u>	<u>8,974</u>

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	<u>2022</u>	<u>2021</u>
	£	£
Membership Fees	358,563	463,703
Booking Revenue	54,900	166,340
Other fees from members	199,232	60,897
Other income	3,298	4,489
	<u>615,993</u>	<u>695,429</u>

Attributable to geographical markets outside the UK	554,861	625,177
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4. RESOURCES EXPENDED – CHARITABLE ACTIVITIES & SUPPORT COSTS

	Direct Costs £	2022 Support Costs £	Total £	Direct Costs £	2021 Support Costs £	Total £
Network & Brand						
Grants awarded	463	-	463	2,201	-	2,201
Staff costs	149,770	129,412	279,182	154,843	136,470	291,313
Facilities & equipment	53	(3,847)	(3,794)	-	87,828	87,828
Professional services	6,182	30,449	36,631	30,058	43,010	73,068
Travel & subsistence	64,654	8,250	72,904	492	1,655	2,147
Depreciation	-	8,130	8,130	-	4,601	4,601
Other	19,114	27,366	46,480	35,205	(26,844)	8,361
Total Network & Brand	<u>240,236</u>	<u>199,760</u>	<u>439,996</u>	<u>222,799</u>	<u>246,720</u>	<u>469,519</u>
Web Services						
Staff costs	70,908	26,961	97,869	82,831	45,490	128,321
Facilities and equipment	-	(802)	(802)	-	29,276	29,276
Professional services	-	6,343	6,343	-	14,337	14,337
Travel and subsistence	73	1,719	1,792	605	552	1,157
Depreciation	-	1,694	1,694	-	1,534	1,534
Other	72,323	5,701	78,024	143,176	(8,948)	134,228
Total Web Services	<u>143,304</u>	<u>41,616</u>	<u>184,920</u>	<u>226,612</u>	<u>82,241</u>	<u>308,853</u>
Total expenditure on charitable activities	<u>383,540</u>	<u>241,376</u>	<u>624,916</u>	<u>449,411</u>	<u>328,961</u>	<u>778,372</u>

2021: The negative “Other” costs arise due to the release of a historic VAT creditor balance of £66,261 in the year.

2022: The negative “Facilities and equipment” costs arise due to the refund received of Business Rates for the year to 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Analysis of Support Costs

	2022			2021		
	Network & Brand £	Web Services £	Total £	Network & Brand £	Web Services £	Total £
Governance	16,832	3,507	20,339	349	116	465
Management	70,084	14,601	84,685	54,423	18,141	72,564
Finance, IT, HR	117,279	24,432	141,711	110,495	36,832	147,326
Facilities costs	(4,435)	(924)	(5,359)	81,453	27,152	108,606
	<u>199,760</u>	<u>41,616</u>	<u>241,376</u>	<u>246,720</u>	<u>82,241</u>	<u>328,961</u>

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

5. STAFF COSTS

	<u>2022</u> £	<u>2021</u> £
Gross Salaries	318,700	321,334
Social security costs	28,282	35,160
Termination costs	-	35,000
Pension costs	<u>22,301</u>	<u>21,271</u>
	369,283	412,765
Health costs	4,655	3,912
Other costs associated with employees	<u>3,113</u>	<u>2,958</u>
	<u>377,051</u>	<u>419,635</u>

In 2021, the Termination costs include non-contractual costs of £35,000, these were paid during 2021 and are not included in the 2021 year-end creditors value. In 2022, no Termination costs were incurred.

	<u>No. in 2022</u>	<u>No. in 2021</u>
Employees whose emoluments were between:		
£60,000 - £70,000	1	1

Contributions paid by Hostelling International into employees' individual pension schemes for the employees whose emoluments were above £60,000 amounted to £4,326 (2021: £4,200).

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 2022 the total remuneration for the Chief Executive during the year was £74,095 (2021: £66,655).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. STAFF COSTS (CONTINUED)

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

	<u>No. in 2022</u>		<u>No. in 2021</u>	
	Average No.	Full Time Equivalent	Average No.	Full Time Equivalent
Network & Brand	6	5	6	5
Web Services	1	1	2	2
Support costs including management	3	3	1	1
	10	9	9	8

6. TOTAL EXPENDITURE included:

	<u>2022</u>	<u>2021</u>
	£	£
Depreciation	9,824	6,135
Fees payable to the company's auditor:		
For the audit of the company's annual accounts	17,500	14,500
Under accrual for 2021 audit services	750	-
Rentals under operating leases	19,159	76,635
Foreign exchange losses	2,562	1,901
Cost of stock recognised as an expense	2,023	332

7. TRUSTEES' EXPENSES

The trustees who served during the year are shown on page 9. No trustee received remuneration during 2022 (2021 – Nil). Travel and other expenses reimbursed to the trustees during the year amounted to £2,089 (2021 £465). In 2022, 4 trustees received reimbursed expenses (2021: 2).

8. LEASING COMMITMENTS

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

	<u>2022</u>		<u>2021</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within one year	-	-	76,635	712
Between one and five years	-	-	456,930	178
Between five and twenty five years	-	-	46,513	-
	-	-	580,078	890

HI relinquished its leased office at the end of March 2022 meaning its operating lease commitments ceased to exist on 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENTS

	<u>2022</u> £	<u>2021</u> £
Securities		
Fair value at 1 January	537,601	427,623
Acquisitions at cost	143,497	137,495
Disposals at carrying value	(119,011)	(90,458)
Net (losses)/gains in the year	(83,711)	62,941
Fair value at 31 December	478,376	537,601
Investment in Subsidiary		
Share in wholly owned subsidiary (at cost) (note 17)	1	1
Total investments	<u>478,377</u>	<u>537,602</u>

Analysis of investments by type

	<u>2022</u> £	<u>2021</u> £
Bonds	65,581	51,798
Equities	332,218	413,981
Other Investments	80,577	71,822
Investment in subsidiary	1	1
	<u>478,377</u>	<u>537,602</u>

The value of securities shown in the Balance Sheet is the market value at 31 December 2022. The historical costs are shown below:

	<u>2022</u> £	<u>2021</u> £
Historical cost at 31 December	484,385	454,735

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 2022	2,169,289	130,215	2,801	101,732	2,404,037
Additions	45,058	-	-	1,108	46,166
Disposals	(2,169,289)	(130,215)	(2,801)	(92,677)	(2,394,982)
At 31 December 2022	<u>45,058</u>	<u>-</u>	<u>-</u>	<u>10,163</u>	<u>55,221</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TANGIBLE FIXED ASSETS (CONTINUED)

	Website Development Costs	Freehold Land and Buildings	Leasehold Improvements	Office Equipment	Total
	£	£	£	£	£
<u>Depreciation</u>					
At 1 January 2022	2,169,289	113,932	2,801	97,834	2,383,856
Provided for in year	5,546	2,984	-	1,294	9,824
Disposals	(2,169,289)	(116,916)	(2,801)	(90,275)	(2,379,281)
At 31 December 2022	5,546	-	-	8,853	14,399
<u>Net Book Value</u>					
At 31 December 2022	39,512	-	-	1,310	40,822
At 31 December 2021	-	16,283	-	3,898	20,181

During the year the Freehold land and buildings, which comprise exclusively of the Lima hostel, were sold. 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).

To the date of sale, Accumulated Depreciation would have been £94,900 if based on the historical cost (2021: £92,276). The revaluation took place in 1987 and the revalued amount was treated as deemed cost, depreciated over a period of 40 years going forward.

Also during 2022, the booking engine was decommissioned and so the Website Development Costs which had been capitalised and were fully depreciated have been disposed of.

11. DEBTORS

	<u>2022</u>	<u>2021</u>
	£	£
Member Associations	54,008	102,016
Other debtors	12,249	50,879
Prepayments and accrued income	19,535	65,852
	<u>85,792</u>	<u>218,747</u>

12. CASH AT BANK AND IN HAND

	<u>2022</u>	<u>2021</u>
	£	£
Cash held for investment	<u>11,095</u>	<u>28,678</u>
	<u>2022</u>	<u>2021</u>
	£	£
Current accounts	1,143,020	97,231
Petty cash	575	2,993
	<u>1,143,595</u>	<u>100,224</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2022</u>	<u>2021</u>
	£	£
Member Associations	31,882	38,778
Trade creditors	55,326	55,557
Amounts owed to subsidiary undertakings	1	1
Other taxes and social security	14,496	17,503
Other creditors and accruals	148,462	69,817
Grant award creditor	13,274	14,337
	<u>263,441</u>	<u>195,993</u>

Included in Other creditors and accruals is a balance of £2,664 (2021: £2,201) relating to CO2 offset donations received, under an agreement with Myclimate. Donations of £nil were paid to Myclimate during the year (2021 £2,780).

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>2022</u>	<u>2021</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: Hostelling International – Canada	2,126	2,126
Hihostels Brasil	1,063	2,126
	<u>13,274</u>	<u>14,337</u>

14. PROVISIONS

	<u>2022</u>	<u>2021</u>
	£	£
End of lease dilapidations provision	<u>-</u>	<u>81,000</u>

The provision held for end of lease dilapidations costs at the office premises at Gate House, Fretherne Road, Welwyn Garden City has now been released (no costs were payable). The building was vacated in March 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FUNDS

2022	<u>General Fund</u>	<u>Restricted Funds</u>	<u>Total Funds</u>
	£	£	£
Balance at 31 December 2021	621,754	11,877	633,631
Incoming resources	1,620,191	1,442	1,621,633
Expenditure	(671,681)	(463)	(672,144)
Net losses on investment assets	(83,711)	-	(83,711)
Balance at 31 December 2022	<u>1,486,553</u>	<u>12,856</u>	<u>1,499,409</u>

2021	<u>General Fund</u>	<u>Restricted 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 gains on investment assets	62,941	-	62,941
Balance at 31 December 2021	<u>621,754</u>	<u>11,877</u>	<u>633,631</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 £1,063 were paid during the year and related to grants awarded in 2020 (2021: Grants totalling £8,506 were paid related to grants awards in 2020). See note 13.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

2022	<u>Unrestricted General</u>	<u>Restricted</u>	<u>Total funds</u>
	£	£	£
Tangible fixed assets	40,822	-	40,822
Investments	478,377	-	478,377
Current assets	1,243,651	-	1,243,651
Current liabilities	(276,297)	12,856	(263,441)
Total net assets	<u>1,486,553</u>	<u>12,856</u>	<u>1,499,409</u>

2021	<u>Unrestricted General</u>	<u>Restricted</u>	<u>Total funds</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>

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 (2021 – 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Note</u>	Unrestricted Funds <u>2021</u> £	Restricted Funds <u>2021</u> £	Total Funds <u>2021</u> £
INCOME FROM:				
Donations		9,582	4,644	14,226
Grants received		24,747	-	24,747
Charitable activities	3	695,429	-	695,429
Other trading activities		720	-	720
Investment income	2	8,974	-	8,974
Total Income		<u>739,452</u>	<u>4,644</u>	<u>744,096</u>
EXPENDITURE ON:				
Raising funds		332	-	332
Investment management costs		3,401	-	3,401
Charitable activities				
Network and Brand		470,098	(579)	469,519
Web Services		308,853	-	308,853
Total Resources Expended		<u>782,684</u>	<u>(579)</u>	<u>782,105</u>
Net expenditure before investment gains		(43,232)	5,223	(38,009)
Net losses on investment assets	9	62,941	-	62,941
NET MOVEMENT IN FUNDS		<u>19,709</u>	<u>5,223</u>	<u>24,932</u>
Total funds brought forward at 1 January 2020	15	<u>602,045</u>	<u>6,654</u>	<u>608,699</u>
Total funds carried forward at 31 December 2020	15	<u>621,754</u>	<u>11,877</u>	<u>633,631</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
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

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 (CONTINUED)

COUNTRY	ASSOCIATION
PORTUGAL	MOVIOJovem
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 (Until September 2022)
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

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