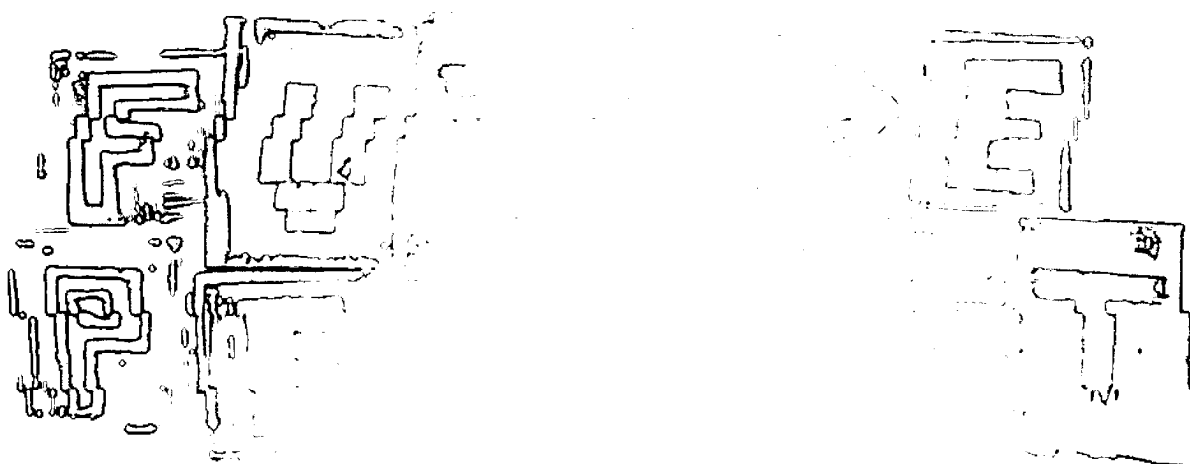


Hot Chocolate Trust

Scottish Charity Number SC035714
Company Limited by Guarantee Number SC 384635

Financial Accounts for the year ended 31 December 2017



Hot Chocolate Trust
Scottish Charity Number SC 035714
Company Limited by Guarantee Number SC 384635
Trustees' Annual Report for the year ended 31 December 2017

The trustees are pleased to present their annual report and financial statements for the year ended 31st December 2017. These are also prepared to fulfil the requirements of a directors' report and accounts for Companies Act purposes.

Objectives and activities

Hot Chocolate Trust's charitable objects are:

- (a) the advancement and promotion of the education, welfare and holistic development of young people, including the provision of recreational facilities and the provision of locations which are open, responsive and safe to facilitate young people growing to full maturity as individuals, positive change makers, community builders and mature citizens, such advancement and promotion being from a Christian perspective;
- and
- (b) the advancement of education primarily but not exclusively in the City of Dundee through relationships built on trust and respect, which are organic and reciprocal, promoting the emotional, mental, spiritual and physical well-being of those suffering from the consequences of deprivation, poverty, social exclusion, poor health, abuse or unemployment in order to advance the development of community,

Hot Chocolate Trust is a creative and innovative youth work organisation based in the Steeple Church, Dundee. Since 2001, Hot Chocolate has worked with thousands of young people aged 12-21 who hang out in the city centre, building relationships and supporting them towards adulthood and positive futures. How we work is simple. There are a few key things we think are really important, and so we always try to do youth work in a way that reflects them:

- 1) Viewing young people as whole people: supporting their holistic development which realises physical, mental, emotional, social and spiritual potential;
- 2) Growing a community with young people which is open, accepting and safe;
- 3) Building relationships based on respect and trust, relationships which are voluntary and two-way;
- 4) Ensuring that plans and activities are owned by young people, adapt with the culture, and bring positive change for all involved;
- 5) Embracing a culture of reflective learning where we learn from our own experiences (even our mistakes);
- 6) Knowing what we're good at - and not so good at: working with other people and organisations who can provide specialist opportunities for young people that we couldn't make happen on our own.

Hot Chocolate is open to all young people without prejudice or distinction of religion, race, culture, disability, gender, sexuality or politics. The only restrictions are of age – from secondary school up to 21 years of age (although we do sometimes continue to work with older young people on an individual basis according to need).

Hot Chocolate Trust has two aspects to its work, youth work with young people and wider impact work. Youth work includes 3 open sessions per week attended by approximately 150 young people each fortnight, small group work, individual support, holiday programmes and residentials. Wider impact work seeks to improve young people's experiences beyond Dundee through sharing the youth work practices, resources and tools which have been developed within Hot Chocolate. This is achieved through training, coaching, development processes and tools, as well as informally through wider relationships with practitioners, decision-makers and policy makers.

In addition to paid staff, Hot Chocolate is grateful to the large number of volunteers who participate in lots of different aspects of the project: all types of youth work; team development; team leading; representing Hot Chocolate in a variety of settings and sharing its work and learning; cooking; minibus driving and DIY.

Achievements and Performance

Since 2001 Hot Chocolate has been supporting isolated, wary young people to take up and sustain opportunities that become transformative, building the vision and resources to live fuller, healthier lives. The young people (between 300 and 400 each year) come from all across Dundee: marginalized in their own neighbourhoods, the city centre is their place.

- We build community with young people, rather than provide services for them, giving them the trust, responsibility, and support to decide, plan and implement activities day by day with team and shape longer-term plans.
- We create opportunities for young people to take their place in the cultural, economic, and political life of their city.
- We build long-term relationships so we're there when young people lift their heads, ready for more: the right support at the right moment. We give responsive, holistic support and connecting with specialist agencies

"Most people go through life feeling like they've got no-one to speak to.

But it's important to have someone who you can spill your heart to. I

have 1-1s with Nicole and they get really deep... In my darkest hour this place gave me a sense of hope.

HC's helped me find who I am."

ChloeAnne, 15

"Everyone here can be themselves: drag queens, mohawks, whoever. I feel less lonely when I'm here..."

Quin, 14

In 2017 Hot Chocolate worked with nearly 400 young people.

There have been:

- 157 open sessions
- 311 1-1s (with 81 different young people)
- 100 groups and trips (with 102 different young people)
- 4 weekends away (with 24 different young people)
- 13 young people have been on Youth Team (our supported, accredited volunteering programme for young people)

Throughout our various activities, we ask young people to reflect on their lives, journeys, experiences, learning - and how they're changing. These reflections, along with the team's observations, are recorded, letting us understand in more detail about the difference we make.

For a fuller flavour of our work in 2017, with words and images created with Hot Chocolate young people, please have a look at our annual report which you will find on our website here:

<http://www.hotchocolate.org.uk/resources/2017FUTUREPERFECT.pdf>

"HC fulfils a vital role of putting young people at the centre of decision making, and using creativity and arts to do this, on their own terms. Dundee is incredibly fortunate to have such an innovative and ambitious organisation leading this work, and we look forward to collaborat[ing] during the Year of Young People, to enrich our city and open up even more opportunities."

Gillian Easson, Creative Dundee

"With Christianity, a lot of people take the little excerpts that fit their thinking, but don't look at the big picture. It's about love thy neighbour not ostracising them. So the fact that HC is a Christian organisation that is actively welcoming and inclusive to LGBT people, is great. I hope it sets an example."

Zeo, 21.

So, in 2017, we supported young people to develop in the following ways:

- 200 have grown in self-knowledge
- 199 have grown in self-worth
- 230 have improved their social skills
- 188 have increased in understanding that they can positively impact their lives and communities
- 150 have acted to positively impact their lives and communities
- 148 have improved their ability to plan ahead and stick to goals
- 23 have increased in their awareness and understanding of their spirituality.

Hot Chocolate has also supported many young people to move on to 'positive destinations':

- 16 in education
- 19 in employment
- 13 in training
- 81 in volunteering (18 gaining accreditation)
- 34 were supported to remain in their 'positive destination' despite significant barriers (e.g. financial, housing, family)
- 21 gained work experience
- 103 were supported towards employment, education or training (e.g. writing CVs, interview prep, references).

"I had a hard time at school and for a few years I just shut myself away and became a total recluse. But a friend told me about this place and it's helped me make loads of new friends - like, loads. It's amazing the difference just one person can make to you."

Alex, 18

"I don't want pity. What I want is for young people who are going through the same thing to know that they're not alone. No-one should be ashamed of what they've been through.

This is what I want my life to be about. The sky's the limit these days. I'm free." **Anon**

In addition to youth work, 2017 was an important period in the development of Hot Chocolate Trust as an organization. Recognizing that we have grown over the previous 3-4 years we nonetheless have faced increasing demands both from the community of young people and from organizations and partners around us. Combining this with an incredibly dedicated and innovative team meant asking hard

questions about priorities, about how to protect the core ethos and quality of Hot Chocolate, and about what it should mean to grow our organization and impact further in a sustainable way. We were delighted at this point to win a place on the Charities Aid Foundation's Resilience Programme which has given us both funds, capacity, space and support to address these questions and begin to strengthen systems and infrastructure suited to the organization we are becoming. It is an invaluable resource to build for the future.

Alongside this we spent the second half of the year reflecting and consulting with our widest team and with young people on the strategic and operational priorities for Hot Chocolate: What could we do better? What should we start doing? What should we not do? We took our time together to think imaginatively and boldly, moving between the big picture and individual experiences, internal and external focuses, to build together a strategic plan to guide our work over the next five years. This strategy will be continually crafted as we move forward, working fluidly with the changing experiences and priorities of the young people and the unpredictable opportunities and challenges of our context.

"We're so involved - everything's based around us, what we want, and how we could do things...

Team are always so onboard with our ideas. We have to work for what we want though, but I think that's a good thing coz it gets us involved and we can really tailor the place... It's a really nice feeling."

ChloeAnne, 15

"There's no judgement here - there's nothing but support. It's like another set of parents who give us unconditional love no matter what."

Jack, 21

Work to make a wider impact took various forms in 2017, principally:

- Developing practice in monitoring and evaluation
- Embedded and supported learning
- Presentations and articles.

Developing practice in monitoring and evaluation spanned many informal conversations and took particular shape in the HCT Outcomes Database, sharing practice, and monitoring and evaluation tools with training and induction which we sold to a youth work organization in Kinross. Our Reclaiming Monitoring and Evaluation training day, piloted in 2016, was delivered again in Glasgow, to highly enthusiastic feedback, with 12 practitioners from youth and community work, criminal justice, arts, academia, and funders.

Embedded and supported learning included 8 learning visits to Hot Chocolate by practitioners, funders and leaders from local and national organizations, with interests ranging from youth work practice, through Christian mission, to fundraising. We created placements for a student from Dundee University and a Project Scotland volunteer (who has subsequently been employed in a new role at HCT). We continued to deliver regular youth work practice coaching to 2 YMCA College students.

Presentations and articles included 7 presentations at a variety of conferences:

- A Dundee University symposium on Participatory Practices with Children;
- Fresh Expressions conference in Northumbria;
- Seminar on our youth work community and LGBT young people at the Streetspace Gathering in Bristol
- Youth Link Scotland's Members Network on Celebrating Young People's Achievements
- Exploring Mission in Scotland Today conference in Stirling
- The Church of Scotland Summer School on mission in Dundee
- Co-presentation with Research Scotland for a Creative Scotland practitioners conference in Perth

We were also pleased to write a chapter for a book by Carol Craig, "The Golden Mean".

"The food was damage. I love food... Now I'm getting hungry."

Hamish, 16

"HC has done the hard yards on how to embed evaluation that's true to their values and good youth work. It's exciting to learn from an organisation that approaches evaluation with curiosity & creativity. HC's practices and tools resonate well beyond just youth work!"

**Colleen Souness,
Robertson Trust**

Financial Review

Hot Chocolate Trust is grateful to both existing and new funders for their generous grants, and to our individual donors, who have enabled our work to continue and expand during the period. Hot Chocolate aims to keep a level of reserves sufficient to fund the planned activities.

As Hot Chocolate's work has grown, further staff members have been employed, and funding has been sought associated with each new post. Our greatest area of expenditure is salaries, as so much of our youth work depends on spending time with young people and building relationships with them.

Individual grants have been received for general youth work and specific activities enabling Hot Chocolate to run our regular open sessions, small group and individual support, art and music projects as well as engaging young people in outdoor activities and weekends away.

A major risk for Hot Chocolate is the possibility of failing to secure sufficient grant funding to continue its activities. In response to this risk, Hot Chocolate is continuing to engage in more paid Wider Impact work, for example training and coaching, as a means of both achieving our charitable objects and earning income at the same time. This area will be further developed in future years.

Hot Chocolate is grateful to The Steeple Church for its continued support through use of the church building for youth work spaces and offices.

Reserves policy

At the year end, Hot Chocolate holds £170,429 (2016 - £140,044) in reserves, of which £97,097 is unrestricted and of this, free reserves not invested in fixed assets amounted to £93,598. No material amounts have been designated.

The funds at the year end place Hot Chocolate in a strong position as we commence 2018. As with most charities, Hot Chocolate Trust constantly needs to seek new sources of funding in order for the work to continue. Successful fundraising has led to an increase in Hot Chocolate's reserves in 2017, and further fundraising will be required in the forthcoming months.

The directors regularly monitor the level of unrestricted reserves, as these are vital in allowing Hot Chocolate flexibility in its work. The directors have achieved the target of building unrestricted reserves to a level of 3 months' budgeted cash spending (approximately £84,703 for 2017).

Going concern

The directors are not aware of any circumstances which would lead to the winding up of Hot Chocolate Trust, and thus are confident in its status as a going concern.

Structure, Governance and Management

Hot Chocolate Trust was originally constituted as a trust, its trust deed dated 15th June, 2004. On 30th September, 2010, the trust transferred all assets and liabilities to a company limited by guarantee, also called Hot Chocolate Trust. Hot Chocolate Trust is governed by its Memorandum dated 31st August, 2010 and its Articles of Association as amended on 9th June, 2015.

New directors of the Board (trustees) are appointed if they receive 75% of directors' votes at a quorate board meeting. A normal term of office for a director is 3 years, at the end of which the director can either stand down or continue. The organisation will offer each director an informal meeting at 3 year intervals where an opportunity will be offered to exchange views on how best the director can contribute to the future priorities and work of the board. A director can resign before their term of office has been completed.

The directors meet quarterly. In addition to these meetings, sub-groups have been set up to oversee various aspects of the project: People and Development; and Finance, Risk and Physical Resources. These sub-groups meet between the quarterly Board meetings, and report back to the Board.

The directors come from a wide range of professions and churches bringing varied professional, youth work, voluntary sector, finance and human resources experience. The directors do not receive remuneration for their role as directors / trustees.

Induction and training for directors is overseen by the chairperson according to the Directors Handbook which sets out the role and responsibilities of directors. In addition to the quarterly board and sub-group meetings, the board holds an annual Development Day which includes addressing directors' training needs as individuals and as a group.

Staff are paid within a pay scale set by the directors which was based historically on the Scottish Joint Council pay scale. Management staff are paid within their band on this pay scale. Any movement within the pay scale is subject to the decision of the board following the annual appraisal process. The remuneration of the highest paid staff member is detailed in note 13 to the accounts.

The role of the directors is a strategic one, with day-to-day operational decisions delegated to the Executive Director. The board and the Executive Director form the key governance and management of the charity. Consultation is vital to all that is done at Hot Chocolate. Day to day youth work, residential and extended projects are undertaken with young people involved at every level of planning and delivery.

The youth work of Hot Chocolate was initiated by The Steeple Church in 2001, and the organisation is immensely grateful for the ongoing support of The Steeple by means of 2 nominated directors, use of the building and provision of some of our volunteers.

Reference and administrative details

Charity Name	Hot Chocolate Trust
Charity registration number	SC 035714
Company number	SC 384635
Principal address	The Steeple, Nethergate, Dundee DD1 4DG.
Registered office	The Steeple, Nethergate, Dundee DD1 4DG.

Charity Trustees / Directors of the Board

Mr Tony Boffey	Chairperson
Mr Richard McCallum	Vice-Chairperson and Treasurer
Mrs Amy McDonald	Vice-Chairperson
Mr Piers Bowser	from June 2018
Mrs Julia Brown	
Mr Stephen Elwell-Sutton	
Mrs Deborah Farley	
Mr David Johnstone	
Mrs Deborah Johnstone	until December 2017
Mrs Chris Lafferty	from October 2017
Ms Pamela Mellstrom	from April 2017

Independent Examiner	Sheena Gibson FCCA Henderson Loggie Chartered Accountants The Vision Building, 20 Greenmarket, Dundee DD1 4QB
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Advisers to the Board (salaried posts)	Mr David Close (Executive Director) Ms Charis Robertson (Assistant Director (Development)) Ms Claudia Richardson (Finance and Operations Manager)
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For the period ending 31/12/2017, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies and the directors have taken advantage of this exemption. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

This report has been prepared in accordance with FRS102 Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 and with the provisions applicable to companies under the small companies' regime.

Declaration

The directors / trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees on 2nd August, 2018


Tony Boffey
Chairperson

Statement of directors' responsibilities

The directors (who are the trustees of the charity for the purposes of charity law) are responsible for preparing the director's report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent examiner to the directors of Hot Chocolate Trust

I report on the financial statements of the charity for the year ended 31 December 2017 which are set out on pages 11 to 23.

Respective responsibilities of the directors and examiner

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

Basis of independent examiner's statement

My examination is carried out in accordance with Regulation 11 of the 2006 Accounts Regulations. An examination includes a review of the accounting records kept by the charity and a comparison of the financial statements presented with those records. It also includes consideration of any unusual items or disclosures in the financial statements, and seeks explanations from the directors concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the financial statements.

Independent examiner's statement

In the course of my examination, no matter has come to my attention other than the matter noted below:

- 1 which gives me reasonable cause to believe that, in any material respect, the requirements
 - to keep accounting records in accordance with Section 44(1)(a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and
 - to prepare financial statements which accord with the accounting records and comply with Regulation 8 of the 2006 Accounts Regulations have not been met, or
- 2 to which, in my opinion, attention should be drawn in order to enable a proper understanding of the financial statements to be reached.
- 3 During our independent examination of the financial statements for the year ended 31 December 2017 it came to our attention that one of the directors was appointed to a paid position within the charity, but the charitable company's articles of association do not allow a director to be employed by the charitable company, as disclosed within note 11 to the financial statements.

When the directors realised that the charity was not complying with the articles of Association, the director who had been employed resigned from her directorship and the charity also notified OSCR who have confirmed their satisfaction with the charitable company's actions.



Sheena Gibson FCCA
Henderson Loggie
Chartered Accountants
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

6th August, 2018

Hot Chocolate Trust

Scottish Charity SC035714, Company Limited by Guarantee SC 384635

**Statement of Financial Activities (including income and expenditure account)
for the year ended 31 December 2017**

	Note	Unrestricted Funds	Restricted Funds	2017	2016
		£	£	£	£
Income from					
Donations and legacies	3	111,715	302,391	414,106	390,455
Charitable activities	4	11,940	-	11,940	6,201
Other trading activities	5	70	-	70	5,223
Investments	6	92	-	92	210
Total		123,817	302,391	426,208	402,089
Expenditure on					
Raising funds	7	2,801	18,354	21,155	21,825
Charitable activities	8	100,229	274,439	374,668	369,769
Total		103,030	292,793	395,823	391,594
Net income / Net movement in funds	10	20,787	9,598	30,385	10,495
Reconciliation of funds					
Total Funds Brought Forward		76,310	63,734	140,044	129,549
Total Funds Carried Forward		97,097	73,332	170,429	140,044

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Balance Sheet at 31 December 2017

	Note	Unrestricted Funds £	Restricted Funds £	2017 £	2016 £
Fixed Assets					
Tangible Assets	14	3,499	17,378	20,877	19,500
Total Fixed Assets		3,499	17,378	20,877	19,500
Current Assets					
Stocks	15	-	-	-	92
Debtors	16	158	12,068	12,226	25,877
Cash at Bank and in Hand		100,278	131,426	231,704	112,236
Total Current Assets		100,436	143,494	243,930	138,205
Creditors Falling Due Within One Year	17	6,838	87,540	94,378	17,661
Net Current Assets		93,598	55,954	149,552	120,544
Total Net Assets		97,097	73,332	170,429	140,044
Funds of the Charity					
Restricted Funds	18	-	73,332	73,332	63,734
Unrestricted Funds		97,097	-	97,097	76,310
Total Charity Funds		97,097	73,332	170,429	140,044

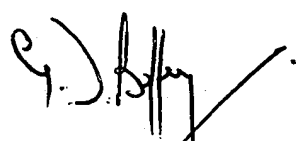
For the period ending 31/12/2017, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476,
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Trustees / Directors on 2nd August, 2018
Signed by two trustees on behalf of all the trustees


Tony Boffey
Chairperson


Richard McCallum
Treasurer

Hot Chocolate Trust

Scottish Charity SC035714, Company Limited by Guarantee SC 384635

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017	2016
		£	£
Cash flows from operating activities			
Net cash provided by / (used in) operating activities	22	<u>127,503</u>	<u>35,811</u>
Cash flows from investing activities			
Bank interest		92	210
Purchase of property, plant and equipment		<u>(7,525)</u>	<u>(18,490)</u>
Net cash provided by / (used in) investing activities		<u>(7,433)</u>	<u>(18,280)</u>
Cash flows from financing activities			
Repayments of borrowing		(1,715)	(771)
Cash inflows from new borrowing		<u>1,113</u>	<u>1,715</u>
Net cash provided by / (used in) investing activities		<u>(602)</u>	<u>944</u>
Change in cash and cash equivalents in the reporting period		119,468	18,475
Cash and cash equivalents at the beginning of the reporting period		<u>112,236</u>	<u>93,761</u>
Cash and cash equivalents at the end of the reporting period		<u><u>231,704</u></u>	<u><u>112,236</u></u>

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Notes to the Accounts

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

b) Preparation of the accounts on a going concern basis

The directors consider that there are no material uncertainties about the charity's ability to continue as a going concern. Fund raising is a priority for Hot Chocolate Trust in order to ensure we can continue to work alongside the young people in the best way possible.

c) Income

Incoming resources are recognised when the criteria of entitlement are met, receipt is probable and the income can be reliably measured. Incoming resources with related expenditure are reported gross in the Statement of Financial Activity (SoFA).

Grants and other income received to fund the purchase of fixed assets are recognised as income in the year of receipt and reported within restricted reserves. Thereafter the restricted reserve is reduced on an annual basis at the same rate as the depreciation on the assets to which the grants relate.

Government and other grants towards revenue expenditure are credited to revenue in the period to which they relate.

d) Donated services and facilities

Donated services and facilities are only included in incoming resources (with an equivalent amount in resources expended) when the criteria of entitlement are met, receipt is probable and the benefit to the charity is reliably measurable and material. The value placed on these resources is the estimated open market value. In accordance with the Charities SORP (FRS 102), the value of voluntary help received is not included in the accounts but is described in the trustees' annual report.

e) Interest receivable

Investment income is in the form of bank interest and is included in the accounts when receivable.

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Notes to the Accounts

f) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. Restricted funds are grants and donations which must be spent as specified by the donor.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise making grant applications, specific activities to raise funds and non-charitable trading, along with associated support costs.
- Expenditure on charitable activities comprises the costs of youth work and wider impact work as described in the trustees' report, along with associated support costs.
- Other expenditure represents those items not falling under any other heading.

Hot Chocolate Trust is not registered for VAT. Expenditure is therefore allocated to activities gross of VAT.

h) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include tasks such as finance, personnel, payroll and governance. These costs have been allocated between the cost of raising funds and expenditure on charitable activities on the basis outlined in note 9.

i) Tangible fixed assets

Assets are capitalised above a de minimis level reviewed and agreed by the Treasurer on an annual basis. They are valued at cost and depreciation is charged on a straight line basis. Computer equipment is depreciated over 3 years, camera and music equipment over 8 years and other equipment over 5 years.

j) Stock

Stock is included at the lower of cost and net realisable value.

k) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

This includes cash held and the balance of instant access accounts held with the Clydesdale Bank.

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Notes to the Accounts

m) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

n) Financial instruments

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. These are initially recognised at transaction value and subsequently measured at their settlement value.

o) Pensions

From November 2016, the charity has been subject to automatic enrolment legislation. Previously, eligible staff were able to opt in to the scheme. The charity agrees to contribute 10% of salary while the employee contributes 3.75% of salary. The scheme is a group personal pension operated by The Royal London Mutual Insurance Society Limited. The charity is responsible for collecting and paying over the contributions. The cost of the scheme is detailed in note 13.

2 Legal status of Hot Chocolate Trust

Hot Chocolate Trust is a company limited by guarantee which is incorporated in Scotland and has no share capital. The liability of each member in the event of winding-up is limited to £1.

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Notes to the Accounts

3 Analysis of income from donations

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Grants from other charities	29,000	209,874	238,874	205,138
Government grants	-	92,517	92,517	85,411
Gift aid donations	10,244	-	10,244	15,999
Tax reclaimed	2,561	-	2,561	4,000
Other donations	7,210	-	7,210	7,007
Donated services	62,700	-	62,700	72,900
Total income from donations	111,715	302,391	414,106	390,455

Government grants are received to support various aspects of our youth work and other costs, some of which are administered by third parties. Although we report on our outcomes to funders, the grants are not service-level agreements. There are no unfulfilled conditions or other contingencies attached to the grants recognised as income. There have been no other forms of government assistance.

4 Income from Charitable Activities

	2017	2016
	£	£
Income generated by youth work	789	743
Wider Impact Income	11,151	5,229
Social enterprise income	-	229
Total income from charitable activities	11,940	6,201

Income generated by youth work is from deposits received from young people for the Ardeonaig residential weekend, our Exodus summer programme tuck shop and from income generated during young people's work experience.

Wider Impact income is from student supervision and education consultancy.

Social enterprise income is from the sale of cards designed by young people.

5 Income from other trading activities

	2017	2016
	£	£
Fundraising events	70	5,223
Total income from other trading activities	70	5,223

6 Income from investments

This is interest received on funds in Hot Chocolate Trust's bank account.

7 Analysis of expenditure: Raising funds

Type of spending	Unrestricted	Restricted	2017	2016
	£	£	£	£
Direct staff costs	1,003	16,385	17,388	16,543
Direct building costs	1,217	-	1,217	1,166
Training and development	169	178	347	-
Other fund raising costs	-	488	488	2,036
Support costs	412	1,303	1,715	2,080
	2,801	18,354	21,155	21,825

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8 Analysis of expenditure: Charitable activities

Type of spending	Youth Work	Wider Impact	2017	2016
	£	£	£	£
Direct staff costs	198,767	14,053	212,820	179,106
Direct youth work costs	29,686	-	29,686	63,193
Direct wider impact costs	-	5,305	5,305	13,418
Volunteer expenses	2,974	-	2,974	3,362
Training and development	7,280	301	7,581	4,416
Building usage	57,644	988	58,632	53,955
Support costs	54,698	2,972	57,670	52,319
	<u>351,049</u>	<u>23,619</u>	<u>374,668</u>	<u>369,769</u>

It can also be analysed between unrestricted and restricted funds as follows:

	Unrestricted	Restricted	2017
	£	£	£
Direct staff costs	19,817	193,003	212,820
Direct youth work costs	332	29,354	29,686
Direct wider impact costs	5,305	-	5,305
Volunteer expenses	53	2,921	2,974
Training and development	3,239	4,342	7,581
Building usage	58,632	-	58,632
Support costs	12,851	44,819	57,670
	<u>100,229</u>	<u>274,439</u>	<u>374,668</u>

9 Analysis of resources expended: Support costs

Type of spending	Raising Funds	Youth Work	Wider Impact	2017	2016
	£	£	£	£	£
Staff costs	-	25,921	1,409	27,330	22,304
Building usage	-	1,618	88	1,706	1,185
Training and development	42	665	36	743	-
Office running costs	842	13,332	724	14,898	10,397
Repairs and maintenance	307	4,865	264	5,436	12,166
Governance	524	8,297	451	9,272	8,347
	<u>1,715</u>	<u>54,698</u>	<u>2,972</u>	<u>59,385</u>	<u>54,399</u>

It can also be analysed between unrestricted and restricted funds as follows:

	Unrestricted	Restricted	2017
	£	£	£
Staff costs	4,272	23,058	27,330
Building usage	1,706	-	1,706
Training and development	361	382	743
Office running costs	4,378	10,520	14,898
Repairs and maintenance	395	5,041	5,436
Governance	2,151	7,121	9,272
	<u>13,263</u>	<u>46,122</u>	<u>59,385</u>

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Governance costs can be further broken down as follows:

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Staff costs	791	5,893	6,684	6,160
Building usage	1,145	-	1,145	1,094
Capacity building and direct governance costs	-	290	290	253
Training and development	71	74	145	-
Independent examiner's costs	144	864	1,008	840
	<u>2,151</u>	<u>7,121</u>	<u>9,272</u>	<u>8,347</u>

Staff costs for each staff member are allocated to charitable activities, raising funds, support and governance according to hours worked.

Staff support costs are then allocated across charitable activities in the ratio of full time equivalent staff working directly in those areas.

Building usage costs are calculated separately for halls and offices.

Hall usage costs are allocated to youth work.

Office usage costs are allocated between raising funds, charitable activities, support and governance in accordance with staff hours worked.

The portion calculated as support costs is then allocated across the charitable activities in the ratio of full time equivalent staff working directly in those areas.

Other costs (training and development, office running costs, repairs and maintenance and governance costs) are allocated across raising funds and charitable activities in proportion to the number of full time equivalent staff in those areas.

10 Net income / (expenditure) for the year

This is stated after charging

	2017	2016
	£	£
Depreciation	6,148	3,505
Bank interest payable	2	-
Independent examiner's costs	<u>1,008</u>	<u>840</u>

11 Trustees' remuneration, benefits and expenses

One of the trustees, Deborah Johnstone, has been paid for employment with Hot Chocolate Trust in the role of Interim Volunteer Manager from 01.09.17 to 31.12.17. Following due process, the board agreed her appointment at a meeting where she was not present. At the time of her appointment it was thought the articles allowed her to continue as a director. Subsequently, it was discovered that she should have resigned as a Director on her appointment to a paid role. She resigned as a director on 14.12.17. The payments made in the period were £3,705 gross pay and £168 employer's National Insurance in the period. No pension contributions were made. OSCR has been informed and stated that no further action is required.

No expenses were paid to trustees in carrying out their role.

In line with legislation, the Trustees decided to purchase Trustees' assurance, which was paid for by Hot Chocolate Trust.

12 Independent Examiner's and other financial fees

£864 has been accrued for the independent examination of the 2017 accounts by Henderson Loggie (2016 accrual £840, final cost £984). The only other financial fee paid was in respect of the pension scheme in 2016 as detailed in note 13.

13 Staffing

Staff costs	2017	2016
	£	£
Gross salaries	227,845	195,122
Employer's National Insurance	18,853	15,312
Pension costs	20,524	16,679
Statutory payments reclaimed from HMRC	-	-
Employment allowance (NICs rebate)	<u>(3,000)</u>	<u>(3,000)</u>
	264,222	224,113
Professional fees (pension advice)	-	560
Total	<u>264,222</u>	<u>224,673</u>

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The average head count of staff employed during the year was 12 (4.3 full-time and 7.7 part-time).
(2016: 11 (3 full-time and 8 part-time)).

Average number of full-time equivalent employees in the year

Area of Work	2017	2016
Fundraising	0.4	0.4
Youth Work	6.8	5.4
Wider Impact	0.4	0.6
Support	1.1	1.0
Total	8.7	7.4

No employee received employee benefits of more than £60,000.

The Executive Director (who is an employee and not on the board of directors) received gross salary for the year of £35,888, with employer pension contributions of £3,589 and employer's NI contributions of £3,828.

Defined contribution pension scheme

From 01.11.16, Hot Chocolate Trust has been subject to pensions automatic enrolment legislation. Previously, eligible staff were able to opt in to the scheme. The pension scheme cost £20,524 this year (last year £16,679).

14 Tangible fixed assets

Cost	Computer equipment £	Camera/music equipment £	Other equipment £	Total £
At beginning of the year	10,576	5,251	18,733	34,560
Additions	4,054	1,700	1,771	7,525
Disposals	-	-	-	-
At end of the year	14,630	6,951	20,504	42,085

Depreciation	Straight line basis			Total £
	3 year life £	8 year life £	5 year life £	
At beginning of the year	9,396	3,428	2,236	15,060
Depreciation for the period	1,746	466	3,936	6,148
Disposals	-	-	-	-
At end of the year	11,142	3,894	6,172	21,208

Net book value	£	£	£	£
Net book value at the beginning of the year	1,180	1,823	16,497	19,500
Net book value at the end of the year	3,488	3,057	14,332	20,877

15 Stock

Stock valued at cost at £92 at the start of the year was written off. The stock held are packs of cards designed by the young people and sold to raise funds for Hot Chocolate. The proceeds are used entirely for charitable purposes. The cost of stock written off forms part of youth work charitable expenses.

16 Debtors and prepayments

Analysis of debtors	Amounts falling due within one year	
	2017 £	2016 £
Debtors	454	344
Prepayments	3,222	4,481
Accrued income	8,550	21,052
Total	12,226	25,877

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17 Creditors and accruals

Analysis of creditors	Amounts falling due within one year	
	2017	2016
	£	£
Company credit cards	1,113	1,715
Accruals	6,589	2,656
Deferred income	86,676	13,290
Total	94,378	17,661
Deferred income	£	
Opening deferred income	13,290	
Deferred income released in the year	13,290	
Income deferred in the year	86,676	
Closing deferred income	86,676	

18 Restricted income funds

Hot Chocolate Trust received some grants for specific purposes or projects. These monies are held in the following restricted funds:

Fund name	Purpose
Aldi Scottish Sports Fund	Youth work
Alexander Moncur Trust	Youth work
Bank of Scotland Foundation	Salary costs
BBC Children in Need	Salary, youth work, training and core costs
Boots UK Ltd & Boots the Chemist Social Club	Youth work
CAF Resilience	Salary and core costs
CashBack for Communities	Salary costs
CashBack for Creativity	Salary, youth work and training costs
Colin Grant Charitable Trust	Youth work
Comic Relief	Core costs
Creative Scotland: Time to Shine	Youth work
Creative Scotland: Youth Music Initiative	Salary, youth work, training and core costs
Gannochy Trust	Salary and youth work costs
Inspiring Scotland	Salary and youth work costs
MAKE Trust	Salary and training costs
Novum Trust	Salary, youth work and core costs
People and Communities Fund	Salary, youth work, training and core costs
Robertson Trust	Core costs
The Baird Trust	Core costs
The Church of Scotland: Northwood Charitable Trust	Core costs
The Corra Foundation	Salary costs
The Henry Smith Charity	Salary costs
The Joseph Rank Trust	Running costs
The Sheldon Trust	Youth work and core costs
The Stafford Trust	Training costs
The Tudor Trust	Salary costs

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Movements of major funds

Fund name	Fund balance brought forward £	Incoming resources £	Outgoing resources £	Fund balance carried forward £
Aldi Scottish Sports Fund	-	500	469	31
Alexander Moncur Trust	-	2,000	2,000	-
Bank of Scotland Foundation	4,899	-	4,899	-
BBC Children in Need	5,716	17,979	23,695	-
Boots UK Ltd & Boots the Chemist Social Club	10,153	-	2,409	7,744
CAF Resilience	-	9,096	6,021	3,075
CashBack for Communities	-	6,098	6,098	-
CashBack for Creativity	1,258	22,036	17,934	5,360
Colin Grant Charitable Trust	-	750	750	-
Comic Relief	-	384	384	-
Creative Scotland: Time to Shine	319	-	91	228
Creative Scotland: Youth Music Initiative	377	23,605	15,402	8,580
Gannochy Trust	-	11,240	11,240	-
Inspiring Scotland	1,771	32,000	32,354	1,417
MAKE Trust	3,609	25,925	25,132	4,402
Novum Trust	2,017	-	2,017	-
People and Communities Fund	2,194	40,778	42,972	-
Robertson Trust	10,904	18,500	15,619	13,785
Souter Charitable Trust	-	5,000	940	4,060
The Baird Trust	4,750	-	1,000	3,750
The Church of Scotland: Northwood Charitable Trust	250	-	250	-
The Corra Foundation	-	5,000	1,600	3,400
The Henry Smith Charity	6,485	30,000	28,985	7,500
The Joseph Rank Trust	7,886	15,000	17,886	5,000
The Sheldon Trust	-	6,500	6,500	-
The Stafford Trust	-	5,000	-	5,000
The Tudor Trust	1,146	25,000	26,146	-
Total restricted funds	63,734	302,391	292,793	73,332

At the year end, the Boots UK Ltd, CashBack for Creativity, Creative Scotland: Time to Shine, Creative Scotland: Youth Music Initiative, Inspiring Scotland, Robertson Trust and The Baird Trust fund balances included a fixed asset less depreciation.

19 Transactions with related parties

The Steeple Church: Dundee (Church of Scotland) is considered to be a related party as 2 of Hot Chocolate Trust's trustees are nominated by The Steeple Church, thereby constituting "significant influence". The Steeple Church donates the use of the halls and office spaces to Hot Chocolate Trust (see note 20). Hot Chocolate Trust paid £3,200 to The Steeple Church as a contribution towards the cost of utilities and repairs. This amount was agreed by the board.

Transactions relating to trustees are declared in note 11.

20 Use of halls and office space

Hot Chocolate Trust is grateful to The Steeple Church for the free use of halls for youth work, and the free use of office space it receives. These donated services have been valued for the year at £62,700 in the accounts, with an associated cost incurred (£57,400 last year).

21 Corporation Tax

The charity is exempt from tax on income falling within S505(1)(e) ICTA 1988, S46 FA 2000 or ESC C4, to the extent that these are applied to its charitable objects.

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22 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2017	2016
	£	£
Net income / (expenditure)	30,385	10,495
Adjustments for		
Depreciation charge	6,148	3,505
Bank interest	(92)	(210)
(Increase) / decrease in stock	92	53
(Increase) / decrease in debtors	13,651	9,268
Increase / (decrease) in creditors (excluding credit cards)	77,319	12,700
Net cash provided by / (used in) operating activities	127,503	35,811