

THURSDAY



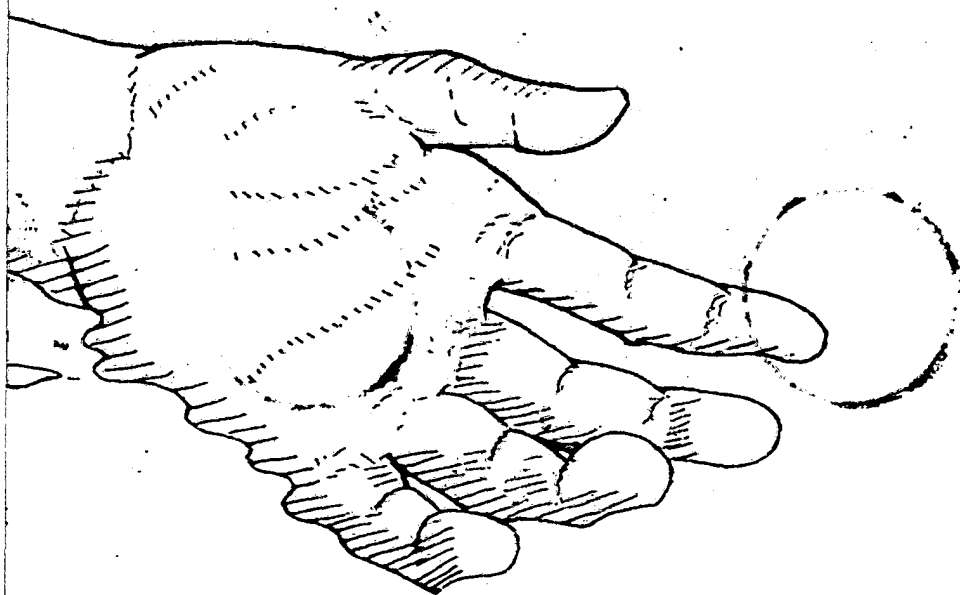
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Hot Chocolate Trust



Scottish Charity Number SC035714
Company Limited by Guarantee Number SC 384635

Financial Accounts for the year ended 31 December 2018

Hot Chocolate Trust

Scottish Charity Number SC 035714

Company Limited by Guarantee Number SC 384635

Trustees' Annual Report for the year ended 31 December 2018

The trustees are pleased to present their annual report and financial statements for the year ended 31st December 2018. 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 organization 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 organizations 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 is our overwhelming priority, and wider impact work has grown out of this. 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, and amplifying young people's voices, 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; minibuss 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 to 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 connect with specialist agencies.

"I've been really lost in my life before, like I was just existing. But here you find meaning. There's a self-discovery. I just get such a good sense in my heart when I do things here. It feels really deep, otherworldly even." **Mikaela, 18**

"Hot Chocolate is my temporary peace and quiet ..."
Rhori, 19

In 2018 Hot Chocolate worked with approximately 400 young people (of whom 208 were new to the organization).

There have been:

- 162 open sessions
- 453 1-1 youth work sessions (with 86 different young people)
- 140 groups and trips (with 139 different young people)
- 4 weekends away (with 30 different young people)

2018 in Scotland was designated Year of Young People which opened up invaluable opportunities for partnership projects including exhibitions of young people's work at Dundee Rep and at Dundee Contemporary Arts, a takeover of Creative Dundee's Pecha Kucha night (working with V&A Youth Collective) <https://createdundee.com/2018/05/pecha-kucha-vol-21-takeover/>, and a wonderful spoken word performance at Inspiring Scotland's 14-19 Portfolio celebrations in Edinburgh. <https://www.inspiringscotland.org.uk/news-page/>

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.

"Hot Chocolate has delivered outstanding results for young people in Dundee. The ability to deliver such results on a tight budget has been truly awe inspiring. We have also been impressed by the constant search for improvement... and, in addition, to put young people at the heart of the decision making process."
Duncan McKechnie, Inspiring Scotland

"If I need any help then it's here, in a low pressure environment. No-one is on my back - I can be part of a project or not, it's my choice. It doesn't feel like a youth group, but more like a community. It's just people who care. Some places feel target driven, but here it's just what YP want, no pressure."
Dawn, 18

Thus, in 2018, we supported young people to develop in the following ways:

- 227 have grown in self-knowledge (200 last year)
- 218 have grown in self-worth (199)
- 274 have improved their social skills (230)
- 207 have increased in understanding their impact on themselves & others (188)
- 171 have acted to positively impact themselves & others (150)
- 149 have improved their ability to plan ahead and stick to goals (148)
- 54 have increased in their awareness and understanding of their spirituality. (23)

Hot Chocolate has also supported 190 young people to move on/towards 'positive destinations':

- 23 started new placements in education (16 last year)
- 39 started new placements in employment (19)
- 14 started new placements in training (13)

"I come to meet people and have a bit of an escape from being a young parent. I have Aspergers and have spent a lot of my life on my own, or with older people. Being sociable with people my own age is not easy. I've joined a music group, trying to push past my fear of being in groups... but I feel safe and not overwhelmed. It's chill." **Gray, 17**

"Working alongside HC... has been a pleasure as well as an inspiration. The first year CLD students... had the opportunity to learn from excellent, theoretically grounded and respectful grass-roots practice with young people, and the students couldn't help but learn from the amazing Mhairi [a young person]." **Jean McEwan-Short, University of Dundee**

In 2018, as well as youth work, we continued to invest in Hot Chocolate Trust's organizational strength and resilience. We added two new posts to our youth work team, two trainee youth workers who were both former Hot Chocolate Young People and then volunteers. We used the advent of GDPR to strengthen our practice and policies around data management. We improved our HR procedures, including a substantial review of Support & Supervision involving all staff, with training for managers and new tools developed as a result. We also established a new Management Team who undertook a six-day "Developing Leadership" course to build and dovetail our approaches to management.

We continued to craft our Strategic Plans, among other priorities developing new training and principles for our youth work team around Trauma-Informed Practice, supporting young people's mental health, and improving our understanding of young people's experience through action research.

"You always feel welcome here. You're always free to put your voice across, you feel comfortable here. The team doesn't work against us, or even for us – we work together. It's our place. It's the one place I've never felt out of place."

Daisy, 18

"HC supports me to speak about issues that I can't really speak to other people about."

Finlay, 18

Work to make a wider impact in youth and community work in 2018 continued our priorities on:

- developing practice in monitoring and evaluation;
- embedded and supported learning;
- presentations, articles, and training.

Developing practice in monitoring and evaluation included many informal conversations but most significantly:

- our Reclaiming Monitoring and Evaluation training day was delivered again in Edinburgh (for the staff of Canongate Youth Project) and Dundee (for arts educators from across Scotland and Ireland, through the Engage network);
- the HCT Outcomes Database was sold, with development and induction support, to a family support organization in Fife;
- a presentation to the UK Evaluation Society's Scotland Network sharing our approaches and resources for understanding, recording and reporting impact.

We completed a proof of concept project exploring the redevelopment of the Outcomes Database application on a new platform and continue to build a business plan and explore possible partnerships to more fully realize the commercial and professional potential of this resource.

Embedded and supported learning included, for the first time, our delivery over 11 weeks at Hot Chocolate of a module on "Effective Practice" to first-year Community Learning & Development students for Dundee University. There were also 10 learning visits to Hot Chocolate by practitioners, funders and leaders from local, national and international organizations, with focuses including creative arts, community engagement, and setting up an organization. We created placements for 2 Dundee University students and an arts residency for a former HC young person. We continued to deliver regular youth work practice coaching to 2 YMCA College students.

Presentations, articles and training included bespoke youth work training sessions for an agency in West Lothian, and presentations at a variety of conferences including:

- "Health and Wellbeing Outcomes" at the Cashback for Creativity Targeted Fund Gathering for Creative Scotland;
- "Youth Work and Hostile/Homely Environments" for the Church of Scotland at their Parliamentary Reception for the Year of Young People;
- A *Lightning Talk* at the Home & Belonging launch event for Life Changes Trust.

"You need to come
and experience it.
Words can't
describe..."

Angus, 14

"My confidence has really
grown through the Youth-Led
Volunteering Team:
speaking in a group, doing
things, helping out. It's made
me happy."

Hammad, 18

For further insights into Hot Chocolate's work over the year, please see our youth work annual report
<https://www.hotchocolate.org.uk/resources/Annual-Rep-18-ALIIIVE.pdf>.

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 £182,883 (2017 - £170,429) in reserves, of which £142,674 is unrestricted and of this, free reserves not invested in fixed assets amounted to £140,610. No material amounts have been designated.

The funds at the year end place Hot Chocolate in a strong position as we commence 2019. 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 2018, 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 £109,036 for 2018).

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 organization 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, legal 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, residentials 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 organization 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	
Mrs Debbie Fellows	from October 2018
Mr David Johnstone	
Mrs Chris Lafferty	
Ms Pamela Mellstrom	

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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Auditor	Sheena Gibson FCCA MHA Henderson Loggie Chartered Accountants The Vision Building, 20 Greenmarket, Dundee DD1 4QB
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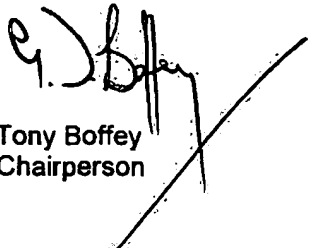
So far as each director is aware, there is no relevant audit information of which the charitable company's auditor is unaware. Each director has taken all steps they ought to have to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 22nd August, 2019.


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 directors' 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.

Independent Auditor's Report to the Trustees of Hot Chocolate Trust

Opinion

We have audited the financial statements of Hot Chocolate Trust for the year ended 31 December 2018 which comprise, the statement of financial activities, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charity's affairs as at 31 December 2018 and of its incoming resources and application of resources, 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 Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis for opinion on financial statements

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- The information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Trustees of Hot Chocolate Trust (continued)

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the trustees 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 charity'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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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.

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/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

The financial statements of the charity for the year ended 31 December 2017 were unaudited. We have obtained sufficient appropriate audit evidence that opening balances do not contain misstatements that materially affect the current period's financial statements.

This report is made solely to the trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Sheena Gibson FCCA
For MHA Henderson Loggie
Statutory Auditors
Dundee

(Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006)

28th August, 2019

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

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 2018

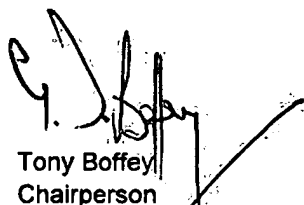
	Note	Unrestricted Funds	Restricted Funds	2018	2017
		£	£	£	£
Income from					
Donations and legacies	3	131,164	401,203	532,367	414,106
Charitable activities	4	11,805	-	11,805	11,940
Other trading activities	5	213	-	213	70
Investments	6	918	-	918	92
Total		144,100	401,203	545,303	426,208
Expenditure on					
Raising funds	7	1,672	20,746	22,418	21,155
Charitable activities	8	96,851	413,580	510,431	374,668
Total		98,523	434,326	532,849	395,823
Net income / (expenditure) / Net movement in funds	10	45,577	(33,123)	12,454	30,385
Reconciliation of funds					
Total Funds Brought Forward		97,097	73,332	170,429	140,044
Total Funds Carried Forward		142,674	40,209	182,883	170,429

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Balance Sheet at 31 December 2018

	Note	Unrestricted Funds £	Restricted Funds £	2018 £	2017 £
Fixed Assets					
Tangible Assets	14	2,064	13,998	16,062	20,877
Total Fixed Assets		2,064	13,998	16,062	20,877
Current Assets					
Debtors	15	550	19,398	19,948	12,226
Cash at Bank and in Hand		150,976	77,219	228,195	231,704
Total Current Assets		151,526	96,617	248,143	243,930
Creditors Falling Due Within One Year	16	10,916	70,406	81,322	94,378
Net Current Assets		140,610	26,211	166,821	149,552
Total Net Assets		142,674	40,209	182,883	170,429
Funds of the Charity					
Restricted Funds	17	-	40,209	40,209	73,332
Unrestricted Funds		142,674	-	142,674	97,097
Total Charity Funds		142,674	40,209	182,883	170,429

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 22nd August, 2019
Signed by one trustee on behalf of all the trustees


Tony Boffey
Chairperson

The notes on pages 15 to 24 form part of these financial statements.

Hot Chocolate Trust
Scottish Charity SC035714, Company Limited by Guarantee SC 384635
Statement of Cash Flows for the year ended 31 December 2018

	Note	2018	2017
		£	£
Cash flows from operating activities			
Net cash (used in) / provided by operating activities	22	<u>(6,968)</u>	<u>127,503</u>
Cash flows from investing activities			
Bank interest		918	92
Purchase of property, plant and equipment		<u>(1,498)</u>	<u>(7,525)</u>
Net cash (used in) investing activities		<u>(580)</u>	<u>(7,433)</u>
Cash flows from financing activities			
Repayments of borrowing		(1,113)	(1,715)
Cash inflows from new borrowing		<u>5,152</u>	<u>1,113</u>
Net cash provided by / (used in) investing activities		<u>4,039</u>	<u>(602)</u>
Change in cash and cash equivalents in the reporting period		(3,509)	119,468
Cash and cash equivalents at the beginning of the reporting period		<u>231,704</u>	<u>112,236</u>
Cash and cash equivalents at the end of the reporting period		<u><u>228,195</u></u>	<u><u>231,704</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) 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.

k) Cash at bank and in hand

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

l) 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

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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.

m) 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.

n) 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.

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3 Analysis of income from donations

	Unrestricted	Restricted	2018	2017
	£	£	£	£
Grants from other charities	31,200	293,152	324,352	238,874
Government grants	-	108,051	108,051	92,517
Gift aid donations	10,658	-	10,658	10,244
Tax reclaimed	2,665	-	2,665	2,561
Other donations	9,811	-	9,811	7,210
Donated services	76,830	-	76,830	62,700
Total income from donations	131,164	401,203	532,367	414,106

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

	2018	2017
	£	£
Income generated by youth work	496	789
Wider Impact Income	11,161	11,151
Other primary purpose charitable trading	148	-
Total income from charitable activities	11,805	11,940

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.

5 Income from other trading activities

	2018	2017
	£	£
Fundraising events	213	70
Total income from other trading activities	213	70

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	2018	2017
	£	£	£	£
Direct staff costs	175	18,049	18,224	17,388
Direct building costs	1,215	-	1,215	1,217
Training and organisational development	157	445	602	347
Other fund raising costs	-	30	30	488
Support costs	125	2,222	2,347	1,715
	1,672	20,746	22,418	21,155

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8 Analysis of expenditure: Charitable activities

Type of spending	Youth Work	Wider Impact	2018	2017
	£	£	£	£
Direct staff costs	270,770	8,387	279,157	212,820
Direct youth work costs	43,679	-	43,679	29,686
Direct wider impact costs	-	3,208	3,208	5,305
Team expenses	2,645	-	2,645	2,974
Training and organisational development	14,008	267	14,275	7,581
Building usage	70,729	600	71,329	58,632
Support costs	94,118	2,020	96,138	57,670
	495,949	14,482	510,431	374,668

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

	Unrestricted	Restricted	2018
	£	£	£
Direct staff costs	9,613	269,544	279,157
Direct youth work costs	1,050	42,629	43,679
Direct wider impact costs	3,208	-	3,208
Team expenses	-	2,645	2,645
Training and organisational development	3,894	10,381	14,275
Building usage	71,329	-	71,329
Support costs	7,757	88,381	96,138
	96,851	413,580	510,431

9 Analysis of resources expended: Support costs

We have been pleased in 2018, through the CAF Resilience Programme, to have had capacity to invest time and resources in organisational development.

Type of spending	Raising Funds	Youth Work	Wider Impact	2018	2017
	£	£	£	£	£
Staff costs	-	43,144	926	44,070	27,330
Building usage	-	2,363	51	2,414	1,706
Training and organisational development	880	18,224	391	19,495	743
Office running costs and other core costs	663	13,738	295	14,696	14,898
Repairs and maintenance	246	5,097	109	5,452	5,436
Governance	558	11,552	248	12,358	9,272
	2,347	94,118	2,020	98,485	59,385

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

	Unrestricted	Restricted	2018
	£	£	£
Staff costs	2,708	41,362	44,070
Building usage	2,414	-	2,414
Training and organisational development	506	18,989	19,495
Office running costs and other core costs	699	13,997	14,696
Repairs and maintenance	257	5,195	5,452
Governance	1,298	11,060	12,358
	7,882	90,603	98,485

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Governance costs can be further broken down as follows:

	Unrestricted	Restricted	2018	2017
	£	£	£	£
Staff costs	86	7,451	7,537	6,684
Building usage	1,142	-	1,142	1,145
Capacity building and direct governance costs	-	213	213	290
Training and organisational development	70	198	268	145
Auditor's / Independent examiner's costs	-	3,198	3,198	1,008
	<u>1,298</u>	<u>11,060</u>	<u>12,358</u>	<u>9,272</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 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

	2018	2017
	£	£
Depreciation	6,313	6,148
Bank interest payable	-	2
Auditor's / Independent examiner's costs	<u>3,198</u>	<u>1,008</u>

11 Trustees' remuneration, benefits and expenses

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 Auditor's / Independent Examiner's and other financial fees

£3,180 has been accrued for the audit of the 2018 accounts by Henderson Loggie (2017 independent examination: accrual £864, actual cost £882).

13 Staffing

Staff costs	2018	2017
	£	£
Gross salaries	298,231	227,845
Employer's National Insurance	25,320	18,853
Pension costs	28,437	20,524
Employment allowance (NICs rebate)	(3,000)	(3,000)
Total	<u>348,988</u>	<u>264,222</u>

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The average head count of staff employed during the year was 15.4 (6.2 full-time and 9.2 part-time).
(2017: 12 (4.3 full-time and 7.7 part-time)).

Average number of full-time equivalent employees in the year

Area of Work	2018	2017
Fundraising	0.5	0.4
Youth Work	9.3	6.8
Wider Impact	0.2	0.4
Support	1.7	1.1
Total	11.7	8.7

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 £35,759, with employer pension contributions of £3,576 and employer's NI contributions of £3,781.

Defined contribution pension scheme

From 01.11.16, Hot Chocolate Trust has been subject to pensions automatic enrolment legislation. The pension scheme cost £28,437 this year (last year £20,524).

14 Tangible fixed assets

Cost	Computer equipment £	Camera/music equipment £	Other equipment £	Total £
At beginning of the year	14,630	6,951	20,504	42,085
Additions	1,498	-	-	1,498
Disposals	-	-	-	-
At end of the year	16,128	6,951	20,504	43,583

Depreciation	Straight line basis			Total £
	3 year life £	8 year life £	5 year life £	
At beginning of the year	11,142	3,894	6,172	21,208
Depreciation for the period	1,929	519	3,865	6,313
Disposals	-	-	-	-
At end of the year	13,071	4,413	10,037	27,521

Net book value	£	£	£	£
Net book value at the beginning of the year	3,488	3,057	14,332	20,877
Net book value at the end of the year	3,057	2,538	10,467	16,062

15 Debtors and prepayments

Analysis of debtors	Amounts falling due within one year	
	2018 £	2017 £
Debtors	280	454
Prepayments	6,316	3,222
Accrued income	13,352	8,550
Total	19,948	12,226

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16 Creditors and accruals

Analysis of creditors	Amounts falling due within one year	
	2018 £	2017 £
Company credit cards	5,152	1,113
Trade creditors	589	-
Accruals	9,052	6,589
Deferred income	66,529	86,676
Total	81,322	94,378
Deferred income	£	
Opening deferred income	86,676	
Deferred income released in the year	86,676	
Income deferred in the year	66,529	
Closing deferred income	66,529	

17 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
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 Youth Work Fund	Salary costs
CashBack for Creativities Open Arts Fund	Youth work
CashBack for Creativity Targeted Fund	Salary, youth work and training costs
Comic Relief	Salary, youth work, training and core costs
Creative Scotland: Time to Shine	Youth work
Creative Scotland: Youth Music Initiative	Salary, youth work, training and core costs
Dundee Trust	Youth work
Gannochy Trust	Salary, youth work and training costs
Inspiring Scotland	Salary and youth work costs
MAKE Trust	Salary and training costs
People and Communities Fund	Salary, youth work, training and core costs
Robertson Trust	Core costs
Souter Charitable Trust	Youth work
The Baird Trust	Core costs
The Corra Foundation	Salary costs
The Henry Smith Charity	Salary costs
The Joseph Rank Trust	Running 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	31	-	31	-
BBC Children in Need	-	38,134	37,020	1,114
Boots UK Ltd & Boots the Chemist Social Club	7,744	-	2,112	5,632
CAF Resilience	3,075	64,772	64,415	3,432
CashBack for Communities Youth Work Fund	-	10,004	10,004	-
CashBack for Creativities Open Arts Fund	1,084	-	173	911
CashBack for Creativity Targeted Fund	4,276	45,872	46,833	3,315
Comic Relief	-	35,581	32,299	3,282
Creative Scotland: Time to Shine	228	-	91	137
Creative Scotland: Youth Music Initiative	8,580	15,484	21,698	2,366
Dundee Trust	-	1,094	-	1,094
Gannochy Trust	-	20,000	20,000	-
Inspiring Scotland	1,417	30,231	30,585	1,063
MAKE Trust	4,402	22,340	26,442	300
People and Communities Fund	-	36,691	36,691	-
Robertson Trust	13,785	18,500	18,627	13,658
Souter Charitable Trust	4,060	-	4,060	-
The Baird Trust	3,750	-	1,000	2,750
The Corra Foundation	3,400	-	3,400	-
The Henry Smith Charity	7,500	22,500	30,000	-
The Joseph Rank Trust	5,000	10,000	15,000	-
The Stafford Trust	5,000	-	3,845	1,155
The Tudor Trust	-	30,000	30,000	-
Total restricted funds	73,332	401,203	434,326	40,209

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.

18 Analysis of net assets over funds

	Unrestricted	Restricted	2018	2017
	£	£	£	£
Tangible fixed assets	2,064	13,998	16,062	20,877
Debtors	550	19,398	19,948	12,226
Cash	150,976	77,219	228,195	231,704
Creditors	(10,916)	(70,406)	(81,322)	(94,378)
	142,674	40,209	182,883	170,429

19 Transactions with related parties

The Steeple Church: Dundee (Church of Scotland) is considered to be a related party as two 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 £2,500 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 £76,100 in the accounts, with an associated cost incurred (£62,700 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

	2018	2017
	£	£
Net income	12,454	30,385
Adjustments for		
Depreciation charge	6,313	6,148
Bank interest	(918)	(92)
Decrease in stock	-	92
(Increase) / decrease in debtors	(7,722)	13,651
(Decrease) / increase in creditors (excluding credit cards)	(17,095)	77,319
Net cash (used in) / provided by operating activities	(6,968)	127,503