

Hot Chocolate Trust

**Scottish Charity Number SC035714
Company Limited by Guarantee Number SC 384635**

Financial Accounts for the year ended 31 December 2016

Hot Chocolate Trust
Scottish Charity Number SC 035714
Company Limited by Guarantee Number SC 384635
Trustees' Annual Report for the year ended 31 December 2016

The trustees are pleased to present their annual report and financial statements for the year ended 31st December 2016. 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 (around 300 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 help 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

“You don't understand what the Steeple is until you've walked through that door. It's like a whole different world. You walk in and it's like all the bad stuff just washes off, and you're free from pressure and judgement for the time you're here. You're free to be who you are.” **MK, 15**

“My time here feels like a firework: it started small and exploded into something beautiful.”

Verena, 17

In 2016 Hot Chocolate worked with over 300 young people. There have been:

- 154 open sessions
- 354 1-1s (with 77 different young people)
- 67 groups (with 69 different young people)
- 4 weekends away (with 33 different young people)
- 16 young people have been on Youth Team (our supported, accredited volunteering programme for young people)
- 5 groups with over 50 different young people in other youth work contexts.

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.

“HC and LGBT Youth Scotland have been working with LGBTI young people to look at spirituality and faith. This came from the young people themselves not having a space to talk about being a person of faith and LGBT. It's unfamiliar territory but has provided some fascinating results. I hope we can continue to build on this in 2017.” **Barry Jordan, LGBT Youth Scotland**

“I'm not misunderstood here. I feel safe to speak here. I'm much calmer now, and I know I'm capable of achieving things in life.” **Anon.**

So, in the past year, we have supported young people to develop in the following ways:

- 165 have grown in self-knowledge
- 164 have grown in self-worth
- 147 have improved their social skills
- 140 have increased in understanding that they can positively impact their lives and communities
- 127 have acted to positively impact their lives and communities
- 114 have improved their ability to plan ahead and stick to goals
- 14 have increased in their awareness and understanding of their spirituality.

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

- 27 started education
- 30 started employment
- 16 started training
- 68 started volunteering (19 gained accreditation)
- 47 were supported to remain in their 'positive destination' despite significant barriers (e.g. financial, housing, family)
- 17 have gained work experience
- 101 were supported towards employment, education or training (e.g. writing CVs, interview prep, references).

"The last year's been a great year for me. I feel like myself as a person, HC, the building - we've all developed in this time. I started here as a young person over 8 years ago, and I'm now on team as a volunteer. I always knew that I'd want to give something back to HC one day, but I didn't expect to be doing open sessions. I really enjoy it though." **Aled, 21**

"HC's not like other places. We decorate. We decide what happens. We fix stuff. We recruit staff. It makes it our own."
Rhori, 18

Wider impact work took several forms in 2016:

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

Developing practice in monitoring and evaluation spanned many informal conversations and took particular shape in the HCT Outcomes Database which we sold, in adapted form, to a local organization working with families; and in a new training day which we developed and piloted, to highly enthusiastic feedback, with 7 practitioners from across the East of Scotland in February. We are working to build on progress in both these income-generating areas in 2017.

Embedded and supported learning included 11 study visits to Hot Chocolate by practitioners and leaders across Scotland and Romania and Malawi; two groups of students, from Dundee University and Forge Scotland; 2 student placements from Dundee University and a Project Scotland volunteer; regular youth work practice coaching to 3 YMCA College students; and organizational consultancy with a youth work organization in West Lothian.

Research Projects included work with IRISS in their “Relationships Matter” project around young people’s experiences of the Care system; Charis Robertson’s Master’s research at Dundee University in the ethics and practices of hearing and using young people’s stories in youth work; linking this project to doctoral research at Glasgow University in the ethics of story-telling; and a collaboration with local artist Anna Wallace Reid exploring young people’s experience and understanding of space and place which became an exhibition in the Royal Scottish Academy’s New Contemporaries show in February 2017.

Presentations and articles included 9 presentations at a variety of conferences (academic, practice, creative and policy); 7 presentations and workshops with practitioners and young people in young people’s organizations in Dundee, Perth, Edinburgh and Renfrewshire; and a book chapter and two online articles contributing to explorations of Christian mission in Britain today.

“You give people something new to look to.”

Ellie, 19

“I find Hot Chocolate heartening and inspiring as a head teacher. I have been considering how as a head teacher I can make a difference in young people’s lives and future aspirations. I feel I can learn an awful lot from the approach taken by HC.”

Kate Whitley, Head Teacher

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 wider impact, 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 £140,044 (2015 - £129,549) in reserves, of which £76,310 is unrestricted and of this, free reserves not invested in fixed assets amounted to £72,993. No material amounts have been designated.

The funds at the year end place Hot Chocolate in a strong position as we commence 2017. 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 2016, 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 are working towards building unrestricted reserves to a level of 3 months' budgeted cash spending (approximately £85,500 for 2016), which is challenging in the current economic climate.

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.

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
Mrs Rebecca Brawley	resigned October 2016
Mrs Julia Brown	from March 2016
Mr Stephen Elwell-Sutton	
Mrs Deborah Farley	
Mr David Johnstone	from March 2016
Mrs Deborah Johnstone	from June 2016
Mr Joe Lafferty	resigned June 2016
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 Administration Officer)
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For the period ending 31/12/2016, 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 June 24, 2017

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 2016 which are set out on pages 10 to 22.

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:

- 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.

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

27 June 2017

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 2016

	Note	Unrestricted Funds	Restricted Funds	2016	2015
		£	£	£	£
Income from					
Donations and legacies	3	98,456	291,999	390,455	311,560
Charitable activities	4	6,201	-	6,201	8,090
Other trading activities	5	5,223	-	5,223	2,334
Investments	6	210	-	210	226
Total		110,090	291,999	402,089	322,210
Expenditure on					
Raising funds	7	4,938	16,887	21,825	19,914
Charitable activities	8	80,131	289,638	369,769	287,580
Total		85,069	306,525	391,594	307,494
Net movement in funds	10	25,021	(14,526)	10,495	14,716
Reconciliation of funds					
Total Funds Brought Forward		51,289	78,260	129,549	114,833
Total Funds Carried Forward		76,310	63,734	140,044	129,549

Hot Chocolate Trust
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Balance Sheet at 31 December 2016

	Note	Unrestricted Funds £	Restricted Funds £	2016 £	2015 £
Fixed Assets					
Tangible Assets	14	3,317	16,183	19,500	4,515
Total Fixed Assets		3,317	16,183	19,500	4,515
Current Assets					
Stocks	15	92	-	92	145
Debtors	16	483	25,394	25,877	35,145
Cash at Bank and in Hand		76,789	35,447	112,236	93,761
Total Current Assets		77,364	60,841	138,205	129,051
Creditors Falling Due Within One Year	17	4,371	13,290	17,661	4,017
Net Current Assets		72,993	47,551	120,544	125,034
Total Net Assets		76,310	63,734	140,044	129,549
Funds of the Charity					
Restricted Funds	18	-	63,734	63,734	78,260
Unrestricted Funds		76,310	-	76,310	51,289
Total Charity Funds		76,310	63,734	140,044	129,549

For the period ending 31/12/2016, 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.

The accounts were approved by the Trustees / Directors on June 24, 2017

Signed by two trustees on behalf of all the trustees

Tony Boffey
Chairperson

Richard McCallum
Treasurer

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Statement of Cash Flows for the year ended 31 December 2016

	Note	2016	2015
		£	£
Cash flows from operating activities			
Net cash provided by / (used in) operating activities	22	<u>35,811</u>	<u>(17,326)</u>
Cash flows from investing activities			
Bank interest		210	226
Purchase of property, plant and equipment		<u>(18,490)</u>	<u>(2,834)</u>
Net cash provided by / (used in) investing activities		<u>(18,280)</u>	<u>(2,608)</u>
Cash flows from financing activities			
Repayments of borrowing		(771)	(503)
Cash inflows from new borrowing		<u>1,715</u>	<u>771</u>
Net cash provided by / (used in) investing activities		<u>944</u>	<u>268</u>
Change in cash and cash equivalents in the reporting period		18,475	(19,666)
Cash and cash equivalents at the beginning of the reporting period		<u>93,761</u>	<u>113,427</u>
Cash and cash equivalents at the end of the reporting period		<u><u>112,236</u></u>	<u><u>93,761</u></u>

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.

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).

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.

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:

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Notes to the Accounts

- 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.

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.

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Notes to the Accounts

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 and has no share capital. The liability of each member in the event of winding-up is limited to £1.

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Notes to the Accounts

3 Analysis of income from donations

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Grants from other charities	14,050	191,088	205,138	122,384
Government grants	-	85,411	85,411	116,364
Gift aid donations	15,999	-	15,999	11,088
Tax reclaimed	4,000	-	4,000	2,785
Other donations	7,007	-	7,007	2,589
Donated services	57,400	15,500	72,900	56,350
Total income from donations	<u>98,456</u>	<u>291,999</u>	<u>390,455</u>	<u>311,560</u>

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

	2016	2015
	£	£
Income generated by youth work	743	603
Wider Impact Income	5,229	6,852
Social enterprise income	229	635
Total income from charitable activities	<u>6,201</u>	<u>8,090</u>

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

	2016	2015
	£	£
Fundraising events	5,223	1,823
Non-primary purpose trading	-	511
Total income from other trading activities	<u>5,223</u>	<u>2,334</u>

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	2016	2015
	£	£	£	£
Direct staff costs	1,212	15,331	16,543	16,098
Direct building costs	1,166	-	1,166	1,243
Other fund raising costs	2,026	10	2,036	1,036
Support costs	534	1,546	2,080	1,537
	<u>4,938</u>	<u>16,887</u>	<u>21,825</u>	<u>19,914</u>

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Notes to the Accounts

8 Analysis of expenditure: Charitable activities

Type of spending	Youth Work	Wider Impact	2016	2015
	£	£	£	£
Direct staff costs	159,591	19,515	179,106	159,990
Direct youth work costs	63,193	-	63,193	22,187
Direct wider impact costs	-	13,418	13,418	4,486
Volunteer expenses	3,052	310	3,362	3,030
Training and development	4,008	408	4,416	3,523
Building usage	52,598	1,357	53,955	50,752
Support costs	47,490	4,829	52,319	43,612
	<u>329,932</u>	<u>39,837</u>	<u>369,769</u>	<u>287,580</u>

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

	Unrestricted	Restricted	2016
	£	£	£
Direct staff costs	5,357	173,749	179,106
Direct youth work costs	1,682	61,511	63,193
Direct wider impact costs	2,844	10,574	13,418
Volunteer expenses	349	3,013	3,362
Training and development	2,130	2,286	4,416
Building usage	53,955	-	53,955
Support costs	13,814	38,505	52,319
	<u>80,131</u>	<u>289,638</u>	<u>369,769</u>

9 Analysis of resources expended: Support costs

Type of spending	Raising Funds	Youth Work	Wider Impact	2016	2015
	£	£	£	£	£
Staff costs	-	20,245	2,059	22,304	22,916
Building usage	-	1,076	109	1,185	1,376
Office running costs	700	8,802	895	10,397	8,476
Repairs and maintenance	818	10,300	1,048	12,166	3,854
Governance	562	7,067	718	8,347	8,527
	<u>2,080</u>	<u>47,490</u>	<u>4,829</u>	<u>54,399</u>	<u>45,149</u>

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

	Unrestricted	Restricted	2016
	£	£	£
Staff costs	5,226	17,078	22,304
Building usage	1,185	-	1,185
Office running costs	2,403	7,994	10,397
Repairs and maintenance	2,813	9,353	12,166
Governance	2,721	5,626	8,347
	<u>14,348</u>	<u>40,051</u>	<u>54,399</u>

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Governance costs can be further broken down as follows:

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Staff costs	708	5,452	6,160	5,905
Building usage	1,094	-	1,094	929
Capacity building and direct governance costs	79	174	253	843
Independent examiner's costs	840	-	840	850
	<u>2,721</u>	<u>5,626</u>	<u>8,347</u>	<u>8,527</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 (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

	2016	2015
	£	£
Depreciation	3,505	2,410
Bank interest payable	-	4
Independent examiner's costs	<u>840</u>	<u>850</u>

11 Trustees' remuneration, benefits and expenses

None of the trustees has been paid any remuneration or received any other benefits from an employment with Hot Chocolate Trust.
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

£840 has been accrued for the independent examination of the 2016 accounts by Henderson Loggie. In past years, this has been a donated service by Mr Richard Young (2015 - valued at £850).
The only other financial fee paid was in respect of the pension scheme as detailed in note 13.

13 Staffing

Staff costs	2016	2015
	£	£
Gross salaries	195,122	181,520
Employer's National Insurance	15,312	13,782
Pension costs	16,679	15,120
Statutory payments reclaimed from HMRC	-	(3,513)
Employment allowance (NICs rebate)	<u>(3,000)</u>	<u>(2,000)</u>
	224,113	204,909
Professional fees (pension advice)	560	560
Total	<u>224,673</u>	<u>205,469</u>

The average head count of staff employed during the year was 11 (3 full-time and 8 part-time) (2015: 10.5 (2.3 full-time and 8.2 part-time)).

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Average number of full-time equivalent employees in the year

Area of Work	2016	2015
Fundraising	0.4	0.4
Youth Work	5.4	5.0
Wider Impact	0.6	0.3
Support	1.0	1.1
Total	7.4	6.8

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 £34,902, with employer pension contributions of £3,490 and employer's NI contributions of £3,697.

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 £16,679 this year (last year £15,120).

14 Tangible fixed assets

Cost	Computer equipment	Camera/music equipment	Other equipment	Total
	£	£	£	£
At beginning of the year	10,990	3,863	1,631	16,484
Additions	-	1,388	17,102	18,490
Disposals	(414)	-	-	(414)
At end of the year	10,576	5,251	18,733	34,560

Depreciation

	Straight line basis			Total
	3 year life	8 year life	5 year life	
	£	£	£	£
At beginning of the year	7,887	3,166	916	11,969
Depreciation for the period	1,923	262	1,320	3,505
Disposals	(414)	-	-	(414)
At end of the year	9,396	3,428	2,236	15,060

Net book value

	£	£	£	£
Net book value at the beginning of the year	3,103	697	715	4,515
Net book value at the end of the year	1,180	1,823	16,497	19,500

15 Stock

Stock is valued at cost at £92. 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 sold was £53 and forms part of youth work charitable expenses.

16 Debtors and prepayments

Analysis of debtors	Amounts falling due within one year	
	2016	2015
	£	£
Debtors	344	291
Prepayments	4,481	2,406
Accrued income	21,052	32,448
Total	25,877	35,145

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17 Creditors and accruals

Analysis of creditors	Amounts falling due within one year	
	2016	2015
	£	£
Company credit cards	1,715	771
Trade creditors	-	245
Accruals	2,656	3,001
Deferred income	13,290	-
Total	<u>17,661</u>	<u>4,017</u>

Deferred income	£
Opening deferred income	-
Income deferred in the year	13,290
Closing deferred income	13,290

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
Alexander Moncur Trust	Core costs
Bank of Scotland Foundation	Salary and core costs
BBC Children in Need	Youth work, salary and training costs
Boots UK Ltd and Boots the Chemist Social Club	Core costs
CashBack for Communities	Youth work and volunteer expenses
CashBack for Creativity	Youth work
Church of Scotland (Northwood Grant)	Core costs
Community Innovation Fund	Wider impact, salary and core costs
Creative Scotland: Time to Shine	Youth work, salary and core costs
Creative Scotland: Youth Music Initiative	Youth work, salary, training and core costs
Dundee Round Table	Youth work
ERASMUS	Wider impact
FiSCAF & STV Appeal	Wider impact and salary
Inspiring Scotland	Salary and youth work
Novum Trust	Youth work and salary
O2	Youth work
People and Communities Fund	Youth work, salary, training and core costs
Sheila Tenant Awards	Youth work and salary
The Aberbrothock Skea Trust	Youth work and volunteer expenses
The Baird Trust	Core costs
The Henry Smith Charity	Salary
The Joseph Rank Trust	Salary
The MAKE Trust	Salary and training
The Mathew Trust	Salary and youth work
The Robertson Trust	Core costs
The Tudor Trust	Salary and training
WM Sword Charitable Trust	Salary

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Movements of major funds

Fund name	Fund balance brought forward	Incoming resources	Outgoing resources	Fund balance carried forward
	£	£	£	£
Alexander Moncur Trust	-	1,000	1,000	-
Bank of Scotland Foundation	-	12,750	7,851	4,899
BBC Children in Need	4,541	34,668	33,493	5,716
Boots UK Ltd and Boots the Chemist Social Club	-	16,800	6,647	10,153
CashBack for Communities	-	3,500	3,500	-
CashBack for Creativity	6,480	-	5,222	1,258
Church of Scotland (Northwood Grant)	-	1,500	1,250	250
Community Innovation Fund	3,087	12,434	15,521	-
Creative Scotland: Time to Shine	25,316	38,093	63,090	319
Creative Scotland: Youth Music Initiative	8,586	4,991	13,200	377
Dundee Round Table	-	520	520	-
ERASMUS	-	590	590	-
FiSCAF & STV Appeal	3,441	5,000	8,441	-
Inspiring Scotland	-	32,000	30,229	1,771
Novum Trust	-	2,017	-	2,017
O2	308	-	308	-
People and Communities Fund	-	38,237	36,043	2,194
Sheila Tenant Awards	-	2,500	2,500	-
The Aberbrothock Skea Trust	-	2,500	2,500	-
The Baird Trust	-	5,000	250	4,750
The Henry Smith Charity	-	30,000	23,515	6,485
The Joseph Rank Trust	-	15,000	7,114	7,886
The MAKE Trust	-	4,399	790	3,609
The Mathew Trust	-	10,000	10,000	-
The Robertson Trust	-	18,500	7,596	10,904
The Tudor Trust	26,342	-	25,196	1,146
WM Sword Charitable Trust	159	-	159	-
Total restricted funds	78,260	291,999	306,525	63,734

At the year end, the Boots UK Ltd and Boots the Chemist Social Club, CashBack for Creativity, Creative Scotland: Time to Shine 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 £2,500 to The Steeple Church as a contribution towards the cost of utilities. This amount was agreed by the board as part of setting the year's budget.

As declared in note 11, Hot Chocolate Trust purchased Trustee Assurance on behalf of the board.

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 £57,400 in the accounts, with an associated cost incurred (£54,300 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

	2016	2015
	£	£
Net income / (expenditure)	10,495	14,716
Adjustments for		
Depreciation charge	3,505	2,410
Bank interest	(210)	(226)
(Increase) / decrease in stock	53	(145)
(Increase) / decrease in debtors	9,268	(31,054)
Increase / (decrease) in creditors (excluding credit cards)	12,700	(3,027)
	<hr/>	<hr/>
Net cash provided by / (used in) operating activities	35,811	(17,326)
	<hr/> <hr/>	<hr/> <hr/>