

**International Association of Internet Hotlines
- INHOPE**

Report on the
annual accounts 2017



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All amounts in this report are stated
in Euros.

INHOPE Association

Director's Report

Introduction

INHOPE is the global umbrella organisation uniting National Internet hotlines engaged in combating online child sexual exploitation and child sexual abuse material. The mission of INHOPE is to support and enhance the work of these hotlines to strengthen the International efforts to combat child sexual abuse using a multi stakeholder approach. INHOPE's vision is an Internet free of child sexual abuse.

Summary

2017 was a year of challenges. Veronica Donoso decided to step down as an Executive Director. Two other members of staff also decided to leave INHOPE. The shortage of staff has put an added workload on the current team, but they managed to fulfil all of INHOPE's obligations. In 2017 Inhope recruited new staff: a communication manager and a project manager for both European Commission programs (LOT 1 & 2). At time of writing there are a number of open positions which will be filled as soon as possible.

Association

2017 was a productive but challenging year for INHOPE. Some of the main highlights include delivering on the INHOPE Strategy 2016-2020 which was approved by INHOPE members at the AGM in May 2016 in Copenhagen and the successful ongoing implementation of the LOT1 and LOT2 European Commission funded projects. As regards the Strategy, it demanded extensive consultation with the Board, the membership and the Advisory Board and an intensive involvement from all the members of the Secretariat.

The association held its 2017 AGM in June in Budapest. At this meeting the members voted for new Articles of Association. However, due to the departure of the Executive Director, the Board decided to wait to legally pass the articles as it was felt the effect would have placed too much power into the hands of the board.

It is also important to mention the efforts made to increase the funding opportunities for the INHOPE Association. The INHOPE Corporate Sponsorship Programme has continued to grow with new partners & sponsors. From a Communications perspective we had a vibrant Safer Internet Day (SID2017) with plenty of visibility on our social media platforms.

The Board

The board in 2017 consisted of

- Arda Gerkens, President
- Gregor Schwarz, Vice-President
- Malle Hallimae, Treasurer
- Sir Richard Tilt, Board member without portfolio
- Miguel Torres García, Board member of the Board with Foundation portfolio
- Themba Wakashe, Board member without portfolio.

Board changes: Themba Wakashe's board membership was suspended at the 2017 AGM in Budapest and is still pending. Gregor Schwarz resigned from the board effective 30th of November 2017. Sir Richard Tilt retired from the board effective 31st of December 2017. Therefore the Board has decided to hold early Board elections in 2018.

Fundraising

Fundraising efforts have been a priority for 2017 with the goal of diversifying INHOPE's funding model. An important achievement was the growth of the Corporate Sponsorship programme. During 2017 we focused on opportunities to expand INHOPE's Corporate Sponsors and strategic partners related to potential funding sources within the internet industry, and other connections and relationships that benefit INHOPE, such as corporate entities, Law Enforcement (Interpol, EUROPOL) and WeProtect. 2017 was quite successful in terms of solidifying relationships and developing INHOPE's future funding. During 2017 INHOPE received the following donations:

- A corporate partner USD \$150,000
- Barclays €25,000
- Google €25,000
- Crisp Thinking €15,000
- Twitter €11,000

Accounts

During 2017 a high level of legal costs were incurred especially in regard to the upcoming GDPR which required a lot of attention and this will continue into 2018. The staff changes within the Secretariat and the fact that some roles are vacant, leaves the organisation with personnel & capacity challenges into 2018. With the lack of structural funding, there is a challenge in achieving impactful positive improvements at the Secretariat, and for INHOPE as an organisation. It is, for this reason that a core objective for 2017 was to aggressively pursue sustainable funding sources, continue increasing the amount of corporate sponsorship and succeed in the attainment of other projects including EU tenders. This has led to positive results during 2017 and going forward into 2018 there are a number of other potential funding possibilities being explored.



International Association of Internet Hotlines - INHOPE

1. BALANCE SHEET AS AT
(after result appropriation)

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
ASSETS	note		
Fixed assets			
<i>Financial fixed assets</i>			
Other financial fixed assets		9,600	9,600
<i>Receivables</i>			
Debtors	(3.4)	8,345	184,950
Receivables from EC	(3.5)	21,108	3,383
Taxation	(3.6)	15,382	4,371
Prepayments and other receivables	(3.7)	<u>31,364</u>	<u>9,431</u>
		76,199	202,135
Cash and Bank	(3.8)	435,609	384,573
		<u>521,408</u>	<u>596,308</u>



		<u>December 31, 2017</u>	<u>December 31, 2016</u>
EQUITY AND LIABILITIES	note		
Equity			
Reserves		268,684	272,262
Restricted fund reserve	(3.9)	9,864	9,864
Current liabilities			
Creditors		68,571	1,212
Membership fees in advance	(3.10)	-	1,750
Taxation and social security	(3.11)	29,193	35,005
Other payable and deferred expenses	(3.12)	<u>145,096</u>	<u>276,215</u>
		242,860	314,182
		<u>521,408</u>	<u>596,308</u>



International Association of Internet Hotlines - INHOPE

2. STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR

		<u>2017</u>	<u>2016</u>
Income	note		
LOT 1 and LOT 2	(4.1)	488,314	316,131
Membership fees	(4.2)	259,412	259,965
Donations and Funding partnership	(4.3)	195,877	279,093
Other income		994	23,000
		<u>944,597</u>	<u>878,189</u>
Expenses			
Personnel costs	(4.4)	282,409	477,229
Subcontractor costs		164,196	29,880
Donation Stichting INHOPE Foundation		30,000	15,000
Lumpsum LOT 2		119,500	-
Travel/ meeting cost	(4.5)	70,512	146,356
Premises expenses	(4.6)	25,839	27,237
Training costs		33,100	2,523
Office expenses	(4.7)	22,200	37,264
General expenses	(4.8)	<u>200,419</u>	<u>149,052</u>
		<u>948,175</u>	<u>884,541</u>
Result financial year		-3,578	-6,352
Withdrawal from restricted fund reserve		-	2,523
Withdrawal/Allocation reserves		<u>3,578</u>	<u>3,829</u>
		<u>-</u>	<u>-</u>



International Association of Internet Hotlines - INHOPE

3. NOTES TO THE BALANCE SHEET AS AT DECEMBER 31, 2017

3.1 Accounting principles used in the preparation of the financial statements

Dutch Gaap

The financial statements have been prepared in accordance with Dutch GAAP RJK C1 'small non profit organisations'.

Consolidation

International Association of Internet Hotlines - INHOPE has certain control over Stichting INHOPE Foundation. In accordance with C1.401 of RJK C1 'small non profit organisations' consolidated accounts are not drawn up.

Budget

The Board draws up a budget for each individual project. These budgets are used to monitor the projects and with this the financial position of the Association. The time period of most projects exceeds the period of the book year. For this reason, a yearly budget is not included in the annual accounts.

Foreign currencies

Foreign currency transactions occurring during the financial year are recognised in the financial statements at exchange rates prevailing on the transaction date. Exchange rate differences are recorded in the income and expenditure statement.

3.2 Principles of valuation of assets and liabilities

General

The valuation of assets and liabilities and the determination of the result are recorded under the historical cost method. Assets and liabilities are presented at face value unless otherwise indicated.

Cash in bank

Cash in bank is stated at nominal value and is unrestricted for use by the association.

3.3 Principles for the determination of the results

Income and expenses are accounted for on an accrual basis. Income is recorded when realised. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements. The result is based on the difference between income and expenses.

Grants are given to cover specific and overhead expenses. Grant income is recorded in the year that the related expenses occur. For grants received for which the expenses have not yet occurred, a deferred income (grants received in advance) is accounted for.

Regarding the recording of the LOT 1 and 2, income is recognized based on the total result of the project. If a project is expected to result in a loss, this loss will be accounted for as soon as this loss is foreseeable. If a project is expected to result in a profit, this profit will be amortized during the project term.

The direct costs consist of material costs and employee costs. For the allocation of employee costs the Association does not use a time registration system. The employee costs are allocated to LOT 1 and 2 based on approved rates by the grant giver and number of months employed of the employees in relation to budgeted months per specific phase of the project. During 2017, employee costs for an amount of € 70.894 (2016: € 14.813) are allocated to LOT 1 and to LOT 2 an amount of € 64.820 (2016 € 1.793).

Expenses are recorded when they occur or when they are foreseeable provided that the cost is related to the current financial year or can be allocated to a specific project.

Pensions

Personnel has been granted a pension scheme. This is a scheme, where personnel can select a pension insurance company of choice and in which a percentage of their gross wages is transferred to an insurance company.



Corporation taxes

On September 13, 2012 the Dutch tax authorities declared that International Association of Internet Hotlines - INHOPE is not subject to corporation tax.

	<u>12-31-2017</u>	<u>12-31-2016</u>
3.4 Debtors		
The trade debtors can be specified as follows:		
Debtors	41,445	119,950
Provision for doubtful debtors	<u>-33,100</u>	<u>-</u>
	<u>8,345</u>	<u>184,950</u>
3.5 Receivables from EC		
Direct cost for LOT 2	381,106	3,383
Advanced payment	<u>359,998</u>	<u>-</u>
Receivable for LOT 2	<u>21,108</u>	<u>3,383</u>
3.6 Taxation		
VAT	<u>15,382</u>	<u>4,371</u>
3.7 Prepayments and other receivables		
Interest	-	532
Prepayments	<u>31,364</u>	<u>8,899</u>
	<u>31,364</u>	<u>9,431</u>
3.8 Cash and bank		
Current account	285,077	34,573
Deposits	<u>150,532</u>	<u>350,000</u>
	<u>435,609</u>	<u>384,573</u>
3.9 Restricted fund reserve		
A restricted fund reserve has been recognized for funds that have been donated that are to be spent on a specific matter.		
<i>Training</i>		
A company has donated money for training sessions. In 2017 there has been no withdrawal.		
<i>Annual report production</i>		
A company has donated money for the annual report production. In 2017 there has been no withdrawal.		
3.10 Membership fees invoiced in advance		
Invoiced in advance	<u>-</u>	<u>1,750</u>
3.11 Taxation and social security		
RSI tax and pension	<u>29,193</u>	<u>35,005</u>



3.12 Other payable and deferred expenses

	<u>12-31-2017</u>	<u>12-31-2016</u>
Deferred income LOT 1 and LOT 2, phase 2	97,118	88,908
Deferred income funding annual partnerships	12,500	52,084
Administration fee, audit fee and fiscal fee	29,047	64,048
Accrual for travel/meeting costs	-	-
Lawyer and notary costs	-	8,250
Reserve holiday allowance	3,114	2,831
Net wages	-	-
Credit cards	2,037	937
Severance costs	-	57,816
Miscellaneous expenses	1,280	1,341
	<u>145,096</u>	<u>276,215</u>

3.13 Commitments and rights not shown at the face of the balance sheet

Rental obligations

The Association has entered into a rental agreement to rent an office in Amsterdam. The agreement is for an indefinite period. Both Landlord and Tenant have a mutual term of notice of six months. The annual rental fee amounts € 21,008, which is subject to an annual index every July 1. Regarding the rental agreement a deposit of € 9,600 has been paid.

Pension

Personnel has been granted a pension scheme. This is a scheme, where personnel can select a pension insurance company of choice and in which a percentage of their gross wages is transferred to an insurance company. During 2017, payments were made directly to the personnel in stead of the insurance company for an amount of approximately € 12,187 (2016: € 22,500). Income taxes were not withheld. There may be a risk that local Tax Authorities will impose a claim for the not withheld income taxes.

Donations

In 2016 it has been agreed to pay to Stichting Inhope Foundation a semi-annual donation amounting to € 15,000 for the support provided to the delivery of the Strategic Business Plan. This donation will be reviewed during 2020 and approved as to the amount of future donations.



International Association of Internet Hotlines - INHOPE

4. NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR 2017

4.1 LOT 1 and 2 (second phase)

These projects concern Digital Service Infrastructure for making a better and safer internet for kids. The main aim of this second phase is to continue improving the platform and services delivered in the first phase of both LOT 1 and LOT 2 projects. International Association of Internet Hotlines - INHOPE is the leading partner of LOT 2 and the subcontractor of EUN for LOT 1. LOT 1 started in October 2016 and will finish in May 2019. The total grant amounts to € 395,999. LOT 2 started in November 2016 and will finish in July 2019. The total grant amounts to € 1,199,995.

4.2 Membership fees

This includes fee income from members.

4.3 Donations and Funding partnership

These are donations and contributions related to the Funding partnership.

4.4 Personnel costs

Personnel costs includes salary, taxes, social premiums and pension costs for the staff, and also severance costs. The average number of employees in 2017 was 2.2 in The Netherlands and 2.7 abroad. (2016: 1.9 and abroad 4.5).

The Executive Committee members do not receive a remuneration.

4.5 Travel / meeting costs

This includes expenses of staff, and meetings and travel costs.

4.6 Premises expenses

This includes rent and insurance.

4.7 Office expenses

Office expenses concerns expenses made by the staff for the office machinery, postage, telecommunications and stationary.

4.8 General expenses

This concerns audit and advisor fees, external support, P&R, other direct expenses and bank interests and charges.



4.9 Subsequent events

There are no subsequent events.

Signing of the financial statements

Amsterdam, May 8, 2018

A.M.V. Gerkens
President

M. Hallimaë
Treasurer

M. Torres Garcia

T.P. Wakashe

To the General Assembly and the Executive Committee of
International Association of Internet Hotlines - INHOPE
Jozef Israëlskade 46V
1072 SB AMSTERDAM

1. INDEPENDENT AUDITOR'S REPORT

A. Report on the audit of the financial statements 2017 included in the annual accounts

Our opinion

We have audited the financial statements 2017 of INHOPE Association, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of INHOPE Association as at December 31, 2017, and of its result for 2017 in accordance with RJK-C1 'small non profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

1. the balance sheet as at December 31, 2017;
2. the profit and loss account for 2017; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report. We are independent of INHOPE Association in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics). We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contains other information that consists of:

- director's report.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements. We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive committee is responsible for the preparation of the other information, including the director's report in accordance with RJK-C1 'small non profit organisations' of the Dutch Accounting Standards Board.

C. Description of responsibilities regarding the financial statements

Responsibilities of the executive committee for the financial statements

The executive committee is responsible for the preparation and fair presentation of the financial statements in accordance with RJK-C1 'small non profit organisations' of the Dutch Accounting Standards Board. Furthermore, the executive committee is responsible for such internal control as the executive committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. As part of the preparation of the financial statements, the executive committee is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive committee should prepare the financial statements using the going concern basis of accounting unless the executive committee either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.



Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committees;
- Concluding on the appropriateness of the executive committee's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, May 8, 2018

Horlings Accountants & Belastingadviseurs B.V.


C. Rabe
Registeraccountant