

**International Association of
Internet Hotlines - INHOPE
Amsterdam**

Financial report 2018



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REPORT

To the General Assembly and the Executive Committee of INHOPE
International Association of Internet Hotlines - INHOPE
Bos en Lommerplein 270
1055 RW Amsterdam

Dear members of the Executive Board,

1 ACCOUNTANT'S COMPILATION REPORT

The financial statements of International Association of Internet Hotlines - INHOPE at Amsterdam have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at December 31, 2018 and the profit and loss account for the year 2018 with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, "Compilation engagements", which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with RJK-C1 "small non-profit organisations". To this end we have applied our professional expertise in accounting and financial reporting. In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct.

Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of International Association of Internet Hotlines - INHOPE. We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the "Verordening Gedrags- en Beroepsregels Accountants" (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

Amsterdam, May 13, 2019

Horlings Accountants & Belastingadviseurs B.V.



K. Visser AA

DIRECTORS' REPORT

INHOPE Association – Directors Report (Audit 2018)

The Directors report is a summary of INHOPE's main activities and achievements during 2018. INHOPE is the International Association of Internet Hotlines, which is registered in the Netherlands. INHOPE's mission is to support and enhance the work of Hotlines towards strengthening International efforts in combating online Child Sexual Abuse Material. INHOPE's vision is an internet free of Child Sexual Abuse Material.

2018 was a year of change, challenge and development for the organisation. During 2018 I was elected as President of INHOPE along with a new Board of Directors by a vote of members at the Annual General Meeting held in Crete, Greece in June 2018 in accordance with the Articles of Association. I would like to thank the previous Board members and acknowledge all of the work done during their tenure. I would especially like to thank my predecessor Ms. Arda Gerkens (previous President).

The INHOPE Board appointed Denton Howard as Executive Director leading the Secretariat in March 2018. He has worked with INHOPE for 14 years in a variety of roles, brings vast experience to the role and has led the organisation through 2018.

INHOPE moved office in Amsterdam due to lease expiration. The new office is much better suited to INHOPE's needs and is located at 270-300 Bos en Lommerplein, 1055 RW, Amsterdam.

As INHOPE's core business involves the exchange of data - GDPR and its requirements had extreme potential implications and significant related costs. INHOPE appointed an independent Data Protection Officer who in coordination with the INHOPE Board, Executive Director and Secretariat achieved compliance by GDPR deadline.

INHOPE's income which was overall in-line with expectation, comes primarily from three main sources (European Commission projects, Membership fees & INHOPE partner program). Expenditure was carefully controlled in order to improve the core strength of INHOPE. Overall financial performance was in line with expectation.

European Commission projects (LOT1 & LOT2) are a major source of funding for INHOPE. 2018 is a midpoint in both of these multi-year projects and all deliverables were achieved and INHOPE looks forward to completing these projects on schedule during 2019.

The INHOPE partner program has grown in line with plans. The high point of this was the first INHOPE Summit which was held in Microsoft HQ in Seattle where existing and potential partner organisations came together to learn about INHOPE and what we do. This resulted in new partners in 2018 and will support efforts in future years. This event will be an annual event going forward.

Overall 2018 was a productive and successful year for the INHOPE Association. Looking forward into 2019 INHOPE will explore opportunities to expand globally, to increase its funding base, to renew its LOT1 & 2 projects with the European Commission and work towards our vision of an internet free of Child Sexual Abuse Material.

Yours

Fred Langford – INHOPE President

FINANCIAL STATEMENTS 2018



1 BALANCE SHEET AS AT DECEMBER 31, 2018

ASSETS

| <i>(after profit appropriation)</i> | | December 31, 2018 | | December 31, 2017 |
|-------------------------------------|--------|----------------------|--------|----------------------|
| | € | € | € | € |
| Non-current assets | | | | |
| Property, plant and equipment | | 640 | | - |
| Financial fixed assets | | - | | 9,600 |
| Current assets | | | | |
| Receivables | | | | |
| Trade receivables | 19,269 | | 8,345 | |
| Receivables from EC | - | | 21,108 | |
| Tax receivables | 33,888 | | 15,382 | |
| Prepayments an other receivables | 35,311 | | 31,364 | |
| | | 88,468 | | 76,199 |
| Cash and Bank | | 602,818 | | 435,609 |
| Total | | 691,926 | | 521,408 |



EQUITY AND LIABILITIES

| <i>(after profit appropriation)</i> | | December 31, 2018 | | December 31, 2017 |
|--|---------|----------------------|---------|----------------------|
| | € | € | € | € |
| Equity | | | | |
| Reserves | 406,925 | | 268,684 | |
| Restricted fund reserve | 9,034 | | 9,864 | |
| | | 415,959 | | 278,548 |
| Current liabilities | | | | |
| Trade payables | 6,413 | | 68,571 | |
| Taxes payable and social security contributions payable | 32,255 | | 29,193 | |
| Other payable and deferred expenses | 237,299 | | 145,096 | |
| | | 275,967 | | 242,860 |
| Total | | <u>691,926</u> | | <u>521,408</u> |



2 STATEMENT OF INCOME AND EXPENDITURE 2018

| | Budget 2018 | 2018 | 2017 |
|--|------------------|------------------|----------------|
| | € | € | € |
| Income LOT 1 and LOT 2 | 679,314 | 533,123 | 488,314 |
| Membership fees | 261,925 | 264,204 | 259,412 |
| Donations and Funding partnership | 172,877 | 245,600 | 195,877 |
| Other income | - | 60 | 994 |
| Operating income | 1,114,116 | 1,042,987 | 944,597 |
| Expenses | | | |
| Personnel cost | 300,247 | 327,156 | 316,062 |
| Subcontractor costs | 142,196 | 188,503 | 164,196 |
| Lumpsum LOT 2 / Donation Stichting INHOPE Foundation | 155,000 | 135,000 | 149,500 |
| Travel / meeting cost | 150,813 | 109,737 | 70,512 |
| Premises expenses | 29,120 | 33,001 | 25,839 |
| Office expenses | 32,005 | 22,136 | 22,200 |
| General expenses | 184,274 | 104,213 | 166,766 |
| Doubtful debts expenses | 33,100 | -15,000 | 33,100 |
| Operating expenses | 1,026,755 | 904,746 | 948,175 |
| Result | 87,361 | 138,241 | -3,578 |
| <i>Result allocation</i> | | | |
| Reserves | - | 138,241 | -3,578 |
| Allocated result | - | 138,241 | -3,578 |



3 GENERAL NOTES

Most important activities

The activities of International Association of Internet Hotlines - INHOPE, having its legal seat at Amsterdam primarily consist of:

- The objectives of the Association are to facilitate and promote the work of INHOPE Member Hotlines, whose work is to eradicate illegal content, primarily child sexual abuse material, on the internet.
- Generating profits for the purpose of distributing the same among the members shall not be permitted.

Location actual activities

The registered and actual address of International Association of Internet Hotlines - INHOPE is Bos en Lommerplein 270, 1055 RW, Amsterdam in Registered place of business and is registered at the chamber of commerce under number 34124277.

Group structure

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.



4 ACCOUNTING POLICIES

GENERAL

General policies

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

Accounting policies for the valuation of assets and equity and liabilities

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

The valuation principles and method of determining the result are the same as those used in the previous year.

Accounting policies for the income statement

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Foreign currency translation

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.

ACCOUNTING POLICIES FOR ASSETS

Property, plant and equipment

Tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. Provisions for bad debts are deducted from the carrying amount of the receivable.

Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Cash and Bank

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Cash at banks and in hand is carried at nominal value.

ACCOUNTING POLICIES FOR EQUITY AND LIABILITIES

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

ACCOUNTING POLICIES FOR THE INCOME STATEMENT

Income

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.

Expenses

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.

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 tax

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



5 NOTES TO BALANCE SHEET

PROPERTY, PLANT AND EQUIPMENT

| | December 31, 2018 | December 31, 2017 |
|--------------|----------------------|----------------------|
| | € | € |
| Machinery | 640 | - |
| Total | 640 | - |

FINANCIAL ASSETS

| | December 31, 2018 | December 31, 2017 |
|-------------------|----------------------|----------------------|
| | € | € |
| Other receivables | - | 9,600 |
| Total | - | 9,600 |

Disclosure

The security deposit on rent was refund.

RECEIVABLES

| | December 31, 2018 | December 31, 2017 |
|----------------------------------|----------------------|----------------------|
| | € | € |
| Trade receivables, gross | 19,269 | 41,445 |
| Provision bad debts | - | -33,100 |
| | 19,269 | 8,345 |
| Receivables from EC | - | 21,108 |
| Tax receivables | | |
| VAT | 33,888 | 15,382 |
| Prepayments an other receivables | 35,311 | 31,364 |
| Total | 88,468 | 76,199 |



CASH AND BANK

| | December 31, 2018 | December 31, 2017 |
|----------------------|----------------------|----------------------|
| | € | € |
| Cash and Bank | | |
| Current accounts | 562,259 | 285,077 |
| Deposits | 40,559 | 150,532 |
| Total | <u>602,818</u> | <u>435,609</u> |

EQUITY

| | December 31, 2018 | December 31, 2017 |
|-------------------------|----------------------|----------------------|
| | € | € |
| Reserves | 406,925 | 268,684 |
| Restricted fund reserve | 9,034 | 9,864 |
| Total | <u>415,959</u> | <u>278,548</u> |

Reserves

| | 2018 |
|----------------------------|----------------|
| | € |
| Balance January 1 | 268,684 |
| Allocation reserves | 138,241 |
| | <u>406,925</u> |
| Balance December 31 | <u>406,925</u> |

Restricted fund reserve

| | 2018 |
|----------------------------|--------------|
| | € |
| Balance January 1 | 9,864 |
| Restricted funds usage | -830 |
| Balance December 31 | <u>9,034</u> |

A restricted fund reserve had been recognized for funds that have been donated that are to be spent on a specific matter.

A company had donated money for the annual report production. In 2018 there was no withdrawal.



CURRENT LIABILITIES

| | December 31, 2018 | December 31, 2017 |
|--|-----------------------|-----------------------|
| | € | € |
| Trade payables | 6,413 | 68,571 |
| Taxes payable and social security contributions payable | | |
| Wage tax and social security | 15,508 | 13,760 |
| Pension related payables | 16,747 | 15,433 |
| | <u>32,255</u> | <u>29,193</u> |
| Other payable and deferred expenses | | |
| Deferred income LOT 1 and LOT 2, phase 2 | 222,063 | 97,117 |
| Deferred income funding annual partnerships | - | 12,500 |
| Administration fee, audit fee, fiscal fee and other expenses | 11,060 | 30,298 |
| Reserve holiday allowance | 3,416 | 3,114 |
| Credit cards | 760 | 2,067 |
| | <u>237,299</u> | <u>145,096</u> |
| Total | <u><u>275,967</u></u> | <u><u>242,860</u></u> |

CONTINGENT LIABILITIES

Payments to obtain usage rights

The Association has entered into a rental agreement to rent an office in Amsterdam. The agreement is for one year, under four weeks term of notice. The annual rental fee amounts to € 37,752 including VAT.



6 NOTES TO INCOME STATEMENT

REVENUE AND GROSS MARGIN

| | 2018 | 2017 |
|-----------------------------------|------------------|----------------|
| | € | € |
| Income LOT 1 and LOT 2 | 533,123 | 488,314 |
| Membership fees | 264,204 | 259,412 |
| Donations and Funding partnership | 245,600 | 195,877 |
| Other income | 60 | 994 |
| Income | 1,042,987 | 944,597 |
| Total Income | 1,042,987 | 944,597 |

Income

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.

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 2018, employee costs for an amount of € 84,196 (2017: € 70,894) are allocated to LOT 1 and to LOT 2 an amount of € 80,408 (2017 € 64,820).

Membership fees

This includes fee income from members.

EXPENSES

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | € | € |
| Personnel cost | | |
| Wages | 217,143 | 248,869 |
| Social premiums, taxes and pensions | 12,856 | 25,557 |
| Staff outsourcing | 91,421 | 33,653 |
| Other personnel expenses | 5,736 | 7,983 |
| | 327,156 | 316,062 |



| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | € | € |
| Subcontractor costs | 188,503 | 164,196 |
| Lumpsum LOT 2 / Donation Stichting INHOPE Foundation | | |
| Lump sum LOT 2 | 135,000 | 119,500 |
| Donation Stichting INHOPE Foundation | - | 30,000 |
| | <u>135,000</u> | <u>149,500</u> |
| Travel / meeting cost | 109,737 | 70,512 |
| Premises expenses | 33,001 | 25,839 |
| Office expenses | 22,136 | 22,200 |
| General expenses | | |
| Advice, and legal fees | 83,971 | 133,209 |
| Audit and payroll administration costs | 13,089 | 15,864 |
| Other general expenses | 7,153 | 17,693 |
| | <u>104,213</u> | <u>166,766</u> |
| Doubtful debts expenses | -15,000 | 33,100 |
| Total | <u><u>904,746</u></u> | <u><u>948,175</u></u> |

Disclosure

Personnel costs

Personnel costs includes salary, taxes, social premiums and pension costs for the staff, and also severance costs.

Travel / meeting costs

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

Premises expenses

This includes rent and insurance.

Office expenses

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

General expenses

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



7 OTHER NOTES

EMPLOYEES

The average number of employees during the year, converted to full-time equivalents, was as follows:

Average number of employees during the period

| | 2018 | 2017 |
|--------------------------------|------------|------------|
| | fte | fte |
| Active within the Netherlands | 1.9 | 2.2 |
| Active outside the Netherlands | 2.0 | 2.7 |
| Total | 3.9 | 4.9 |

MANAGEMENT AND THE SUPERVISORY BOARD

The Executive Committee members receive no remuneration.

SUBSEQUENT EVENTS

There are no subsequent events.

SIGNATURE

Amsterdam, May 13, 2019

Name

Signature

Meltini, C.

Urlaub, P.

Niculescu, A. E.

Lyons, S. P. C.

Langford, F. T. E.