

CHABAD LUBAVITCH UK
CHARITY REGISTRATION NUMBER 227638

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016



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Report of the Trustee for the Year Ending 31 December 2016

The trustee presents the charity's accounts for the year ended 31 December 2016.

Objectives

Chabad Lubavitch UK is a charity established for the furtherance of its charitable objects, namely: The advancement and promotion of the Jewish religion in accordance with the orthodox tenets thereof by providing facilities for the study of and instruction in Jewish religious literature; by the advancement of public education including education in the Orthodox Jewish faith and the provision of recreational facilities ancillary thereto; by the provision of school rooms, meeting rooms and ancillary facilities for persons of the Jewish faith; and by the provision of financial assistance to persons of the Jewish faith who are in need to enable them to observe and perform the rites and practices of the Jewish religion.

We keep the ethos of the Lubavitch movement at the core of our activities when delivering these objectives by providing an unconditional welcoming open door to Jewish people of all walks of life, by making Judaism accessible and relevant by empowering individuals to develop, associate, identify and participate, by caring for and supporting the welfare of Jewish people and communities with devotion and affection no matter the time, place or need and by educating a generation of dedicated and skilled community leaders who live by the words, "Love your fellow as yourself".

Whether through Chabad Houses, activities on university campuses, events throughout the year across the country, educational programmes or through our network of schools, the charity engages with thousands of beneficiaries of all ages and backgrounds. And in times of personal crisis, our Shluchim (local emissaries) are on hand to support those suffering loss, bereavement or other challenges.

Public Benefit

The Trustee and its officers have regard to Section 17 of the Charities Act 2011 and the Charity Commission's guidance on public benefit in delivering the charity's various activities and consider that the 'open door' approach when reaching out to beneficiaries across the community reflects and fulfils the charity's legal obligation to ensure that there is a public benefit in everything that the charity strives to do.

Safeguarding

The charity takes the safeguarding of young people and other vulnerable persons extremely seriously and in 2015 worked closely with the NSPCC to develop and adopt a comprehensive safeguarding policy and to train our staff in its implementation. The policy is kept under constant review and it is anticipated that further reviews and training will take place in the next and subsequent years.

Our thanks

We would also like to thank all our partners, supporters and friends for their continuing encouragement and assistance. We are grateful to all those who have given so much time and commitment to the advancement of the charity and its objectives.

We would like to thank the professional team and the many members of our community who, due to the outgoing nature of our philosophy, so generously volunteer their time, and we would like to extend our heartfelt appreciation for their loyalty and ongoing support for the charity. As team members, they have often put aside personal needs and worked together to realise some of the charity's key aspirations and targets. Without the personal efforts that all on the team have made, none of our many achievements would have been possible.

Achievements and performance: Summary of key activities in 2016

Chabad Houses, present and future

Our network of Chabad houses in towns and cities across the country, serving communities and university campuses, play a vital role in bringing Jewish knowledge and practice to thousands of beneficiaries every year through a range of innovative programmes and activities. We are indebted to all of our Shluchim and their families for their selfless commitment to the needs of those they serve, throughout the year, on Jewish festivals and even occasions like the Wimbledon Tennis Championship, when Chabad Lubavitch made kosher food available to visitors from around the world.

Planning was initiated for new Centres in previously under-served areas, including Notting Hill, Crouch End, Battersea, and South East London. Interviews of candidates were held, with these centres opening in 2017.

Schools network

The charity continued to work with the Lubavitch schools network to provide quality secular and religious education to hundreds of young people, while encouraging personal development and service to the community, reflecting the values of the Lubavitcher Rebbe, of blessed memory.

Lubavitch schools provide an excellent education, as witnessed by the consistently good exam performance. Equally integral to their education, learners are also inspired and trained to work on themselves to become better people, and to be sensitive and caring for others, and success is measured by a student's contribution to wider society. With an emphasis on outreach, hundreds of our former pupils are serving communities throughout the world. Many hundreds more are in more conventional occupations, but are still active in the communal sphere, whether Jewish or secular.

The schools are assisted by local council Hackney Learning Trust personnel to promote high standards and good quality of administration and are periodically visited by the Ofsted inspectorate.

From 1st April 2018, the Junior Boys and Girls Schools and the Senior Girls School took Academy status under a new and separate entity, the Lubavitch Multi-Academy Trust.

Care services

The charity continues to work closely with our local authority partners in Haringey and Hackney and local health services to contribute to services available to everyone living in the community, such as the Lubavitch Children's Centre and Vista, which helps to develop skills for employment. This makes a very positive contribution to breaking down cultural barriers and forging strong partnerships amongst different community groups.

Dinner 2016

Our 2016 Dinner saw 560 people enjoy a successful evening at the London Lancaster Hotel. Uniquely, rather than the traditional video and keynote speech, guests were treated to seven 'pop-up' live testimonials by individuals from across the communal spectrum. The youngest was 11 year-old Maya Grunschlag, who said, "Chabad has opened a new world for



me... that is truly special” and the oldest was 94 year-old Aubrey Nelson who found Chabad at the age of 90 when he met his local shliach while walking down the street, shortly after having suffered the tragic loss of his wife and only son. “It took me 90 years to discover Chabad,” he said. “But they have given me the strength to go on and on. Now I’m 94, but I feel 24. Chabad has given me a new lease on life!” The emotional crowd gave him a standing ovation.

Others at the dinner included 19-year-old Jodeci Joseph, who didn’t know he was Jewish until he was ten years of age and has since found the wonderfully supportive and inspirational Chabad to help him navigate his own path and struggle. “I felt this community would love me unconditionally, no matter the colour of my skin or my previous background... Without Chabad, I don’t really know where, what or who I would be today”



Nottingham Student Max Steinberg said of his local shluchim Rabbi Mendy and Brocha Lent, “they’re a family who have sacrificed everything in their life to help others experience what they have enjoyed.”

JLI expansion

The Rohr Jewish Learning Institute (JLI)

JLI is the Adult Education Arm of Chabad Lubavitch. Its mission is to make Jewish learning accessible and personally meaningful to every Jew, regardless of background or affiliation. JLI's insightful curricula utilises cutting-edge pedagogic techniques, embracing the multiple intelligence model and utilising multimedia and an array of approaches to engage, educate, and inspire all kinds of minds in a dynamic Jewish learning experience.



In 2016, we expanded the flagship JLI program to 10 centres. This included a full-day training seminar for staff and presenters.

We launched three new courses:

The Jewish Course of Why



Our international team surveyed 30,000 people, asking them to submit the questions they are most curious about. Of those, we chose the 50 most commonly asked questions and addressed those enigmas with insights from some of the greatest minds in Jewish history.

Students gained insight into mysterious Jewish practices, strange biblical narratives, and

enigmas of Jewish identity.

Heroes and Villains

Tales of kings and conspirators, prophets and warriors, magic-makers and miracle-workers: This course analysed some of the Bible’s most controversial episodes, uncovering powerful insights into the human spirit and man’s purpose on earth.

How Success Thinks: Jewish Secrets for Leading a Productive Life



At the core of How Success Thinks were six key productivity concepts, from motivation and goal setting to creativity and relationship building, that explain why some people get so much done. Drawing on 3000 years of Jewish wisdom from the Talmud and Kabbalah—as well as the latest findings in neuroscience, psychology, and behavioural economics—this eye-opening course explained that the most

productive people on earth don't merely act differently; they view the world, and their choices, in profoundly different ways.

By learning how to cultivate their signature strengths, students were able to adopt a growth mind-set, access their inner well of creativity, deal with weaknesses, and overcome procrastination and other obstacles that lie in the way of success. And they learned how Jewish wisdom and positive psychology help you get more of what you want and less of what you don't.

Purim across the Central London



The joyous festival of Purim is celebrated every year on the 14th of the Hebrew month of Adar (late winter/early spring). It commemorates the salvation of the Jewish people in ancient Persia from Haman's plot to exterminate all Jews in the empire. Purim is celebrated with four main observances; Hearing the story read in a traditional way from a handwritten scroll (Megila), giving to charity, sharing gifts of foods with friends and eating a festive meal.

Purim in 2016 was on a Thursday, which made it a challenge for many who were at work to observe. We held ceremonies in over a dozen professional firms across London, enabling people to celebrate with all the traditional requirements in under an hour. In all, a combined total of approximately 500 people participated

Sukkah in the City redesign

Sukkot (the Feast of Tabernacles) takes place each autumn. It is customary for Jewish people to 'dwell' or at least eat, only in a special structure called a sukkah. This needs to be constructed outdoors with a roof of natural foliage, symbolising unity and the human dependency on the Divine.



As in previous years, we partnered with various City firms to provide a Sukkah in New Street Square in the heart of the City of London. This year our sukkah required replacing and an upgrade. Together with artist Simone Krok, a new, attractive and innovated Sukkah was commissioned.

Events included, two business lunches, Sponsored by Deloitte, Weil Gotschal, Linklaters and others, a business breakfast, and an after-work event for young professionals. In all, a total of approximately 1,000 people took part.

Financial Review

Income and Expenditure

Income in 2016 reduced to £8,697,271 from £9,598,284 in 2015. This was primarily due to a fall in restricted income from grants and a fall in voluntary donations of just under 11% from 2015 levels. During 2016 overall costs rose by around 9% to £10,082,173 from £9,260,549 in 2015. This resulted in a net deficit for the year of £1,415,019 (please see page 11) compared to a surplus the year before of £337,735.

Principal risks

The directors of the corporate Trustee, working with the Council of Management, has identified the major risks to which the charity may be exposed and have taken the necessary steps to monitor and control these to mitigate any impact they may have on the charity in the future.

The Council of Management received reports from the school governors and the Chabad Houses and branch locations regarding the services provided and adapts the supply of services responsively to changes in demand.

The charity is reliant on the continued philanthropic support of donors who gift approximately 37% of current income.

The Council of Management also reviews the performance of the Foundation's property portfolio. The properties are included in the balance sheet at their estimated market value. There is always a risk that property values might go down. To mitigate such risk, properties are formally valued approximately every five years by professional surveyors and are reviewed annually to ensure that the most recent formal valuation is still reasonable.

Governance

The directors of the corporate Trustee together with the Council of Management reviews the application and effectiveness of the policies and processes of the charity and its satellite branches on matters of internal financial policy, control and risk. Care is taken to ensure that published financial statements comply with statute and accounting standards and the Charities SORP.

The Council oversees the relationship with the external auditor including approval of the audit plan and scope of the audit, annual assessment of the auditor's independence and review of the level of fees payable for non-audit services.

Reserves policy

Reserves are needed to bridge any funding gaps between commitments on educational and outreach activities and receiving resources through voluntary donations and grants. The Trustee has established a target level of reserves to protect the organisation and its charitable programmes by providing time to adjust to changing financial circumstances. It is considered that the minimum level of reserves as at 31 December 2016 would be £750,000 based on a sense of the likely impact on programmes that might be caused by a decline in income or an inability to reduce expenditure in the immediate short term. The

unrestricted reserve has passed this value, and the trustees will monitor cash resources to consider investment in an income producing endowment to reduce long term dependence on donations and grants.

Plans for future

The adoption of Academy status by three of the Lubavitch schools will alleviate much of the financial pressure resulting from the previous funding model for the schools, which had a wider impact for the charity's financial health.

Steps were also taken from the end of 2017 to improve the professional governance of the charity with the recruitment of a Finance Director and Chief Operating Officer who, with the Trustee and Council of Management are instigating new processes for financial reporting, management, oversight and planning.

Legal and administrative details

The charity's financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statement below, and comply with applicable laws and the Charities SORP (FRS 102).

This trustees' report has been prepared in accordance with Part 8 of the Charities Act 2011.

Structure, governance and Management Statement of Trustees' responsibilities

Chabad Lubavitch UK is governed by a Declaration of Trust dated 21 January 1959, as amended by supplemental deeds dated 16th January 1968 and 6th December 1994. A comprehensively updated Declaration of Trust is currently awaiting final approval from the Charity Commission in June 2018.

Trustee: The charity is governed by the Board of Directors of the corporate trustee Lubavitch (UK) Limited (Company No. 02932344), which is responsible for setting the charity's strategy, for ensuring good governance and that it fulfils its objectives of delivering public benefit.

The directors of the corporate trustee during the report period were:

- Rabbi Y Angyalfi
- Rabbi P Efune
- Rabbi I H Sufrin

Organisation: The Board of Directors of the trustee meets periodically but a minimum of four times per year.

The Board of Directors is assisted by a Council of Management, which meets fortnightly. Members of the Council of Management throughout the year were:

- Rabbi I H Sufrin
- Rabbi Y Angyalfi
- Rabbi P Efune
- Rabbi S Arkush
- Rabbi N Dubov
- Rabbi M Junik
- Rabbi S Lew
- Rabbi L Sudak
- Rabbi B Sudak

The Charities Act 2011 requires the trustees to prepare accounts for each financial year which give a true and fair view of its financial activities during the year and of its financial position at the end of the year. In preparing these accounts, the trustees should follow best practices and;

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charity SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

Remuneration of trustees and senior management: The corporate trustee and its directors are not remunerated for their services as trustees of the charity. Where directors of the corporate trustee or members of their families carry out other roles in their capacities as rabbis/teachers (all of which roles existed before they became directors), they are remunerated at appropriate market rates but decisions about remuneration are only made after each has recused himself from the decision-making process, which is undertaken by the Council of Management. Transactions with related parties are disclosed in the notes to the financial statements. Remuneration of other senior personnel is similarly determined by reference to market rates and by the directors of the corporate trustee in conjunction with the Council of Management, subject to taking all necessary steps to avoid any actual or perceived conflicts of interest.

By order and on behalf of the Corporate Trustee, Lubavitch (UK) Limited

Rabbi I H Sufrin (Director)

13 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHABAD LUBAVITCH UK

Opinion

We have audited the financial statements of Chabad Lubavitch UK (the 'Charity') for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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 Charity 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 trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee has 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 trustee is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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

In the light of the knowledge and understanding of the Charity and environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's Annual Report.

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the trustee

As explained more fully in the trustee's responsibilities statement in the trustee's report, the trustee is 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 it determines 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 trustee is 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 trustee either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

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: [www.frc.org.uk/auditorsresponsibilities]. This description forms part of our auditor's report.

This report is made solely to the Charity's trustee, as a body, in accordance with section 144 of the Charities Act 2011 and the regulations made under section 154 of that Act. Our audit work has been

undertaken so that we might state to the Charity's trustee 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 trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Goldwins Limited
Statutory Auditor
Chartered Accountants
75 Maygrove Road
West Hampstead
London NW6 2EG**

13 June 2018

CHABAD LUBAVITCH UK

Statement of financial activities

(incorporating an income and expenditure account)

For the year ended 31 December 2016

	Note	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Income from:					
Donations and legacies	3	3,250,528	120,341	3,370,869	3,780,566
Grants	3	90,049	4,191,077	4,281,126	4,860,355
Charitable activities:					
Outreach and Education	4	1,000,269	330	1,000,599	809,027
Other trading activities:					
Functions and events	5	44,677	-	44,677	148,336
Total income		4,385,523	4,311,748	8,697,271	9,598,284
Expenditure on:					
Raising funds		574,890	-	574,890	384,562
Charitable activities:					
Outreach and Education		4,177,816	5,329,467	9,507,283	8,875,987
Total expenditure	6	4,752,706	5,329,467	10,082,173	9,260,549
Net income / (expenditure) for the year		(367,183)	(1,017,719)	(1,384,902)	337,735
Transfers between funds		273,718	(273,718)	-	-
Net income / (expenditure) before other recognised gains and losses		(93,465)	(1,291,437)	(1,384,902)	337,735
Foreign exchange gains / (losses)		(30,117)	-	(30,117)	-
Net movement in funds	16	(123,582)	(1,291,437)	(1,415,019)	337,735
Reconciliation of funds:					
Total funds brought forward		3,611,104	14,286,955	17,898,059	17,560,324
Total funds carried forward		3,487,522	12,995,518	16,483,040	17,898,059

All of the above results are derived from continuing activities.

There were no other recognised gains or losses other than those stated above.

Included in net movement in funds is a donation of Cambridge property of £436,730 and depreciation of £606,846.

The attached notes form part of these financial statements.

CHABAD LUBAVITCH UK

Balance sheet

As at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets:					
Tangible assets	10		17,950,592		19,551,956
Current assets:					
Stock	11	1,234		1,236	
Debtors	12	307,987		208,781	
Cash at bank and in hand		1,170,275		1,870,383	
		<u>1,479,496</u>		<u>2,080,400</u>	
Liabilities:					
Creditors: amounts falling due within one year	13	(2,016,918)		(2,498,589)	
Net current liabilities			<u>(537,422)</u>		<u>(418,189)</u>
Total assets less current liabilities			<u>17,413,170</u>		<u>19,133,767</u>
Creditors: amounts falling due after one year	14		(930,130)		(1,235,708)
Total net assets			<u><u>16,483,040</u></u>		<u><u>17,898,059</u></u>
Funds					
Restricted funds:					
Revaluation fund		9,658,604		9,943,387	
Restricted income funds		3,206,914		4,213,568	
Permanent endowment funds		130,000		130,000	
Total Restricted funds			12,995,518		14,286,955
Unrestricted funds:					
Revaluation reserve		1,359,629		1,881,433	
General funds		2,127,893		1,729,671	
Total Unrestricted funds			<u>3,487,522</u>		<u>3,611,104</u>
Total funds	16		<u><u>16,483,040</u></u>		<u><u>17,898,059</u></u>

Approved by the corporate trustee and signed on its behalf by:

Rabbi P Efuné
On behalf of Lubavitch (UK) Limited

Rabbi I H Sufrin
On behalf of Lubavitch (UK) Limited

13 June 2018

The attached notes form part of the financial statements.

CHABAD LUBAVITCH UK

Statement of cash flows

For the year ended 31 December 2016

	Note	2016 £	2016	2015	2015 £
Cash flows from operating activities:					
Net cash provided by / (used in) operating activities	17	(1,310,475)			880,604
Cash flows from investing activities:					
Interest/ rent/ dividends from investments		506,493		-	
Sale/ (purchase) of fixed assets		246,921	(279,322)		
Cash provided by / (used in) investing activities			753,414		(279,322)
Cash flows from financing activities:					
Repayments of borrowing		(305,578)		(179,160)	
Cash provided by / (used in) financing activities			(305,578)		(179,160)
Change in cash and cash equivalents in the year			(862,639)		422,122
Cash and cash equivalents at the beginning of the year			1,870,383		1,448,261
Cash and cash equivalents at the end of the year	18		1,007,744		1,870,383

1 Accounting policies

a) Basis of preparation

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) and the Charities Act 2011.

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

b) Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

c) Income recognition

Income from charitable and trading activities is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred. Income received in advance for the provision of specified service is deferred until the criteria for income recognition are met.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

d) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

1 Accounting policies (continued)

e) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

f) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work or for specific projects being undertaken by the charity.

g) Expenditure and irrecoverable VAT

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accrual basis and includes attributable VAT where it cannot be recovered.

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 back office costs, finance, personnel, payroll and governance costs which support the charity and its and activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The basis on which support costs have been allocated are set out in note 6.

i) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

j) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life.

The depreciation rates in use are as follows:

Freehold property and improvements	2% straight line
Fixtures and fittings	20% straight line
Computer equipment	33% straight line
Motor vehicles	25% on reducing balance

k) Stocks

Stock is included at the lower of cost or net realisable value. Donated items of stock are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market.

1 Accounting policies (continued)

l) 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.

m) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

n) 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.

o) Financial instruments

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

p) Pensions

The Charity finished operating its defined contribution scheme during 2015 on the retirement by the final member and the change in legislation to "Opt-in". The assets of the scheme are held separately from those of the Charity being invested with an insurance company. Any contributions payable for the year are charged in the statement of financial activities.

2 Detailed comparatives for the statement of financial activities

	2015 Unrestricted £	2015 Restricted £	2015 Total £
Income from:			
Donations and legacies	3,261,480	519,086	3,780,566
Grants	480,985	4,379,370	4,860,355
Charitable activities:			
Outreach and Education	303,909	505,118	809,027
Other trading activities:			
Functions and events	148,336	-	148,336
Total income	4,194,710	5,403,574	9,598,284
Expenditure on:			
Raising funds	384,562	-	384,562
Charitable activities:	2,770,531	6,105,456	8,875,987
Total expenditure	3,155,093	6,105,456	9,260,549
Net income / expenditure	1,039,617	(701,882)	337,735
Transfers between funds	(109,192)	109,192	-
Net movement in funds	930,425	(592,690)	337,735
Total funds brought forward	2,680,679	14,879,645	17,560,324
Total funds carried forward	3,611,104	14,286,955	17,898,059

3 Income from donations and legacies

			2016	2015
	Unrestricted	Restricted	Total	Total
	£	£	£	£
Donations and legacies	3,250,528	120,341	3,370,869	3,780,566
Grants	90,049	4,191,077	4,281,126	4,860,355
Total income	3,340,577	4,311,418	7,651,995	8,640,921

Included in the grants are £ 4,129,634 received from Hackney Learning Trust (2015: £4,343,321).

4 Income from charitable activities

			2016	2015
	Unrestricted	Restricted	Total	Total
	£	£	£	£
Outreach and Education	1,000,269	330	1,000,599	809,027
Total income from charitable activities	1,000,269	330	1,000,599	809,027

5 Income from other trading activities

			2016	2015
	Unrestricted	Restricted	Total	Total
	£	£	£	£
Functions and events	44,677	-	44,677	148,336
Total income from other trading activities	44,677	-	44,677	148,336

6 Analysis of expenditure

	Basis of allocation	Support cost £	Governance costs £	Raising Funds £	Charitable activities £	2016 Total £	2015 Total £
Outreach	Direct	172,899	-	207,314	1,249,751	1,629,964	1,413,441
Legal & Professional	Direct	17,543	-	695	157,193	175,431	111,832
Accountancy fees	Direct	48,667	-	4,612	-	53,279	141,483
Auditor's remuneration	Direct	-	26,000	-	-	26,000	14,000
Wages	Direct	270,310	-	232,748	4,230,054	4,733,112	4,882,358
Staff medical insurance	Direct	707	-	-	11,866	12,573	5,569
Donations paid	Direct	27,888	-	53,061	705,952	786,901	119,860
Book and shop supplies	Direct	-	-	-	118,289	118,289	86,978
Hire of equipment	Direct	261	-	-	2,351	2,612	1,054
Telephone	Staff time	1,388	-	2,756	20,545	24,689	30,646
PPS	Staff time	10,243	-	1,845	90,337	102,425	115,420
Advertising	Staff time	766	-	2,331	4,563	7,660	16,670
Motor expenses	Staff time	11,284	-	-	101,556	112,840	86,847
Subscription	Staff time	130	-	1,172	-	1,302	7,620
Premises costs	Staff time	131,059	-	62,546	1,116,184	1,309,789	1,317,183
Computer maintenance costs	Staff time	16,225	-	2,458	143,566	162,249	111,343
Miscellaneous	Staff time	11,890	-	1,283	105,028	118,201	115,691
Bank charges	Staff time	-	27,354	2,069	-	29,423	44,698
Other interest	Staff time	18	-	-	164	182	28,768
Bank interest	Staff time	7,801	-	-	42,265	50,066	101
Total (profit)/loss on disposal	Staff time	-	-	-	18,340	18,340	39,736
Depreciation	Staff time	62,328	-	-	544,518	606,846	569,251
		791,407	53,354	574,890	8,662,522	10,082,173	9,260,549
Support costs		(791,407)			791,407	-	
Governance costs		-	(53,354)	-	53,354	-	
Total expenditure 2016		-	-	574,890	9,507,283	10,082,173	
Total expenditure 2015		-	-	384,562	8,875,987	-	9,260,549

Of the total expenditure, £4,782,823 was unrestricted (2015: £3,155,093) and £5,329,467 was restricted (2015: £6,105,456).

Support and governance costs are allocated based on projected time spent by employees.

7 Net income / (expenditure) for the year

This is stated after charging / (crediting):	2016	2015
	£	£
Depreciation	606,846	569,251
Loss / (profit) on disposal of fixed assets	18,340	-
Auditor's remuneration	26,000	14,000
Foreign exchange (gains) / losses	30,117	-
	681,303	607,251

8 Analysis of staff costs, trustee remuneration and expenses, and key management personnel costs

Staff costs were as follows:	2016	2015
	£	£
Salaries and wages	4,113,977	4,642,125
Social security costs	334,123	231,886
Pension contributions	285,012	9,993
	4,733,112	4,884,004

The following number of employees received employee benefits (excluding employer pension) during the year between:

	2016	2015
	No.	No.
£60,000 - £69,999	5	5

The total employee benefits including pension contributions of the key management personnel were £102,498 (2015: £123,873).

Staff numbers

The average number of employees (head count based on number of staff employed) during the year was as follows:

	2016	2015
	No.	No.
Raising funds	3	3
Charitable activities	257	268
Support	15	14
Governance	3	4
	278	289

Charity also acknowledges the support of the volunteers who were used in day to day charitable activities and who helped the charity to achieve the charitable objectives.

9 Taxation

The charity is exempt from tax as all its income is charitable and is applied for charitable purposes.

10 Tangible fixed assets

	Freehold property £	Leasehold property £	Improvement to premises £	Fixtures & fittings, Computer £	Motor vehicles £	Total £
Cost						
At the start of the year	19,681,290	775,000	2,206,792	1,426,577	139,868	24,229,527
Additions in year	-	-	117,524	13,355	-	130,879
Disposals in year	(1,172,298)	-	(205,353)	-	-	(1,377,651)
At the end of the year	18,508,992	775,000	2,118,963	1,439,932	139,868	22,982,755
Depreciation						
At the start of the year	2,898,204	206,469	245,442	1,216,792	110,664	4,677,571
Charge for the year	424,894	34,810	39,009	100,830	7,303	606,846
Eliminated on disposal	(228,969)	-	(23,285)	-	-	(252,254)
At the end of the year	3,094,129	241,280	261,166	1,317,623	117,967	5,032,164
Net book value						
At the end of the year	15,414,863	533,721	1,857,797	122,310	21,902	17,950,592
At the start of the year	16,783,086	568,531	1,961,350	209,785	29,204	19,551,956

Land with a value of £4,679,455 (2015: £4,986,760) is included within freehold property and not depreciated.

All of the above assets are used for charitable purposes.

11 Stock

	2016 £	2015 £
Stock in hand	1,234	1,236
	1,234	1,236

12 Debtors

	2016 £	2015 £
Trade debtors	198,443	78,127
Other debtors	109,544	130,654
	307,987	208,781

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdraft	306,933	371,108
Trade creditors	176,734	107,019
Taxation and social security	553,087	820,863
Other creditors	557,394	1,063,368
Accruals	422,770	136,231
	2,016,918	2,498,589

14 Creditors: amounts falling due after one year

	2016	2015
	£	£
Other loans	930,130	1,235,708
	930,130	1,235,708

Included in other loans are bank loans totalling £919,793 (2015: £1,108,198) which are secured against the following properties:

135 Clapton Common, London E5 9AE
 42 St George Road, London SW19 4ED
 228 Hale Lane, Edgware HA8 9QF
 75a Cowley Rd, Oxford OX4 1HR
 168 Shadwell Lane Leeds LS17 8AD

The overdrafts were partially secured by a limited guarantee of £80,000 from Rabbi S Lew and £50,000 from Mr P J Marks.

15 Analysis of net assets between funds

	Unrestricted	Restricted	Total funds
	£	£	£
Tangible fixed assets	5,621,569	12,329,023	17,950,592
Net current assets	(1,433,917)	896,495	(537,422)
Long term liabilities	(700,130)	(230,000)	(930,130)
Net assets at the end of the year	3,487,522	12,995,518	16,483,040

16 Movements in funds	Funds at the start of the year £	Income £	Expense £	Transfers £	Revaluation £	Funds at the end of the year £
Unrestricted funds:						
Unrestricted revaluation fund	1,881,433	-	-	-	(521,804)	1,359,629
General funds	1,729,671	4,385,523	(4,782,823)	273,718	521,804	2,127,893
Total unrestricted funds	3,611,104	4,385,523	(4,782,823)	273,718	-	3,487,522
Restricted funds:						
Restricted revaluation fund	9,943,387	-	-	-	(284,783)	9,658,604
Youth	285,948	61,443	(60,499)	-	-	286,892
Children Centre	1,266,564	721,145	(767,468)	-	-	1,220,241
Nursery	88,545	541,311	(590,374)	-	-	39,482
Junior Girls	1,181,402	933,598	(1,369,198)	-	92,651	838,453
Junior Boys	758,369	998,528	(1,174,727)	-	70,913	653,083
Senior Girls	624,820	1,049,497	(1,258,977)	-	92,651	507,991
Cambridge	296,162	-	(22,444)	(273,718)	-	-
Leeds	(51,514)	6,226	(35,878)	-	8,030	(73,136)
Oxford	(236,728)	-	(49,902)	-	20,538	(266,092)
Permanent endowment funds	130,000	-	-	-	-	130,000
Total restricted funds	14,286,955	4,311,748	(5,329,467)	(273,718)	-	12,995,518
Total funds	17,898,059	8,697,271	(10,112,290)	-	-	16,483,040

Restricted Funds:

The charity's restricted funds during the year were made up as follows:

Youth Organisation - this restricted fund was established to receive various grants relating to the activities of the Lubavitch Youth Organisation.

Children's Centre - this fund was established to receive donations for the building of the new Children's Centre.

Nursery - this fund receives monies from the Learning Trust for funding the operations of Unit 1 of the Lubavitch Nursery.

Junior Girls' School - this fund receives monies from the Learning Trust for funding the operations of the Lubavitch Ruth Lunzer Junior Girls' School.

Junior Boys' School - this fund receives monies from the Learning Trust for funding the operations of the Lubavitch Junior Boys' School.

Senior Girls' School - this fund receives monies from the Learning Trust for funding the operations of the Lubavitch Senior Girls' School.

Leeds- the Leeds branch has established funds in respect of its Youth work, Day camp and Family Education programs.

Oxford- this fund was established to receive donations for the building and upkeep of the Oxford Mikveh.

Permanent endowment funds:

- E Alec Coleman endowment- The gift was made to the charity on condition that it is held as a permanent endowment, the income from which is used for the maintenance of the Oxford branch building.

- L Steinberg endowment- The gift was made to the charity on condition that it is held as a permanent endowment, the income from which is freely available to fund the activities of the charity.

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

	2016	2015
	£	£
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	(1,384,902)	337,735
Depreciation	606,846	569,251
Exchange (gain) / loss	30,117	-
Loss/ (profit) on the sale of fixed assets	18,340	-
(Increase)/ decrease in stock	2	-
(Increase)/ decrease in debtors	(99,206)	(82,463)
Increase/ (decrease) in creditors	(481,672)	56,081
Net cash provided by / (used in) operating activities	(1,310,475)	880,604

18 Analysis of cash and cash equivalents

	At 1 January 2016	Cash flows	Other changes	At 31 December 2016
	£	£	£	£
Cash at bank and in hand	1,870,383	(700,108)	-	1,170,275
Overdraft facility (repayable on demand)		(162,531)	-	(162,531)
Total cash and cash equivalents	1,870,383	(862,639)	-	1,007,744

19 Related party transactions

As well as employing the directors of the corporate trustee, the charity also employed several individuals who were related to the directors of the corporate trustee. Salaries paid to these individuals were as follows:

Name	Job role	Relationship	Annual teaching salary £	Loan to Charity £
<u>Family of Rabbi I H Sufrin</u>				
Rabbi I H Sufrin	Rabbi		39,600	43,000
Mrs T Sufrin		Wife	13,035	
<u>Family of Rabbi Y Angyalfi</u>				
Rabbi Y Angyalfi	Rabbi		24,148	
Mrs S Angyalfi		Wife	24,148	
<u>Family of Rabbi P Efune</u>				
Rabbi P Efune	Rabbi		38,750	

20 Corporate Trustee

The charity is governed by the board of directors of the corporate trustee Lubavitch (UK) Limited (a company limited by guarantee incorporated in England and Wales under company number 02932344), which is responsible for setting the charity's strategy, for ensuring good governance and that it fulfils its objectives of delivering public benefit. The directors of the corporate trustee during the reporting period were:

- Rabbi Y Angyalfi
- Rabbi P Efune
- Rabbi I H Sufrin