

Stichting citizenMovement Annual Report 2019

<u>Contents</u>	<u>Page</u>
1. Board Report	
1.1 Name, legal form and location	3
1.2 About	3
1.3 The citizenMovement Board	3
1.4 Guests	4
1.5 Employees	4
1.6 Our current partner - World Bicycle Relief	4
1.7 Our impact to date	4
1.8 More than just a bike	5
1.9 Future outlook and budget 2020	6
2. Financial Statements	
2.1 Balance sheet Stichting citizenMovement as per 31 December 2019	8
2.2 Statement of income and expenditure for the period of 27 July 2018 to 31 December 2019	9
2.3 Accounting policies	10
2.4 Notes to the balance sheet as at 31 December 2019	12
2.5 Notes to the state of income and expenses for the period of 27 July 2018 to 31 December 2019	14
2.6 Other disclosures	17
3. Other information	
3.1 Independent auditor's report	19

1

-- Board Report --

1.1 Name, legal form and location

Stichting citizenMovement is a foundation, founded in 2018 and has its place of business in Voorschoten, The Netherlands. The foundation is registered with the Chamber of Commerce (KVK) under number 72240954 and has been designated as an ANBI foundation.

1.2 About

citizenMovement aims to be a self-sustained, growing non profit organization, however it will be supported by citizenM and its success depends on the joint efforts of citizenM's staff, guests and the citizens from the cities where we are present. In the structure of this foundation, citizenM will be a direct sponsor of citizenMovement by providing citizenMovement with funds that currently come out of citizenM's housekeeping savings plan, implemented in many operational hotels and sales from collectionM and cantineM. citizenMovement also raises funds by organising fundraising events and might receive donations.

citizenMovement will not simply give money away. The giving needs to be linked to a direct sustainable life improvement chain reaction that comes from the receiving of what citizenMovement has given. Don't give them fish, teach them how to fish.

These chain reactions can be sparked in many ways; citizenMovement can directly impact organizations or individuals using raised funds; However, our strategy needs to amplify the impact of our efforts. To achieve that, we will look for organizations that truly share our views, values, and a dedication to our cause, and will partner with them. These partnerships, which may change annually, are selected out of proposals submitted by citizenM staff.

1.3 The citizenMovement Board



Klaas van Lookeren Campagne

Chairman



Hein Bijl

Secretary & Treasurer



Wulf van Alkemade

Board Member

The board members do not receive any kind of remuneration and they do not receive any kind of expenses allowances.

1.4 Guests

A permanent flow of funds has been already set up with hotel guests. Guests staying two nights or more can contribute by simply skipping their daily room cleaning. The related savings go to citizenMovement. Besides the housekeeping savings by the participation of guests, citizenMovement will generate funds by providing other means of donation for 1 night guests as well as by organizing engaging fundraising events through the year involving guests, staff, partners and citizens of the cities where citizenM has hotels.

1.5 Employees

citizenMovement's funds are also generated through donations and by engaging citizenM teams in staff related events that will raise funds for citizenMovement's mission and purpose.

1.6 Our current partner - World Bicycle Relief

The first organization we have been partnering with is World Bicycle Relief (WBR). Their BEEP initiative (Bicycles for Educational Empowerment Program) provides bicycles to students in developing countries to make their journeys to school shorter, and feasible. What took hours on foot can now be completed in minutes, thanks to WBR.

1.7 Our impact to date

2018

In 2018 we donated GBP 150,000 (€ 167,379) to World Bicycle Relief which funded 1,000 bicycles, which were delivered to schools across Zambia in 2019.

2019

In 2019, our income from housekeeping savings increased from € 339,997 in 2018 to € 613,359, a 80% increase, partly caused by the opening of new citizenM hotels. These funds were used for a contribution to WBR of GBP 400,000 to fund 1,680 bicycles to Malawi (Zomba and Machinga) and 1,057 to Kenya (Siaya, Kisumu and Kakamega).

1.8 More than just a bike

This is Gladness. Every day, she walked 90 minutes to school and back. Thanks to citizenMovement, it now only takes her 25 minutes with her bicycle. Girls who complete their secondary education are six times less likely to be forced into child marriage. Even just completing primary education has enormous benefits. Bicycles make it easier for girls to get to school, stay in school, and graduate. It truly improves their economic prospects for the rest of their lives.



1.9 Future outlook and budget 2020

During 2020 citizenM started to feel the impact of the Coronavirus (COVID-19) on its business and cashflow, starting with lower occupancies in the period from March until June, and ending with travel limitations and lockdowns all over the world. Also, the impact was seen in significantly lower bookings for the remainder of June and the coming months. It is very uncertain and unpredictable when all limitations will be lifted, and when business will be back to a more normalized situation. The impact of the Coronavirus on the 2020 financial year will be a decrease of revenue and decrease of results compared to 2019. Due to the noted uncertainty, the impact cannot currently be fully quantified.

citizenM has based on the most current available information started to take direct actions from a safety, business continuity, and liquidity perspective. This also entailed updating the profit and loss and cash flow forecasts considering the impact of COVID-19 as much as possible given the uncertainties combined with the fact that the regular 2020 budget and the 2020 cash flow forecasts are no longer relevant.

The impact on citizenM of course will have its impact on the foundation. On 15 April, the board decided to drastically adjust the 2020 budget, as the expectation is that the remaining housekeeping savings will not be realized until the end of the year and all fundraising events will be cancelled until the end of the year 2020. Even though we are heavily impacted by the virus the board confirms that they have no reason to doubt the fact that the foundation will have adequate resources to continue in operational existence for the foreseeable future.

Budget for the year ended 31 December 2020

<u>INCOME</u>	
- Income from citizenM savings	€ 132,000
- Income other	€ 940
Total income	€ 132,940
<u>EXPENSES</u>	
Expenditure on objectives	
World Bicycle Relief Fund contribution	€ 230,000
Operating expenses	
- Outside labour expenses	€ 94,383
- Marketing and sales expenses	€ 5,000
- Other administrative and general expenses	€ 25,000
Total operating expenses	€ 124,383
Sum of income and expenditures before financial income and expenses	€ -221,443
Financial income and expenses	€ -10,000
Balance of income and expenditure	€ -231,443

2

-- Financial Statements --

2.1 Balance sheet Stichting citizenMovement as per 31 December 2019

	Note	31 December 2019	
ASSETS			
Current assets			
Accounts receivable		€ 177,533	
Other receivables	2.4.1	€ 39,955	
Cash and banks	2.4.2	€ 135,796	
Total current assets			€ 353,284
TOTAL ASSETS			€ 353,284
LIABILITIES			
Reserve and funds			
Continuity reserve	2.4.3	€ 50,000	
Earmarked project reserves	2.4.4	€ 238,882	
Total reserves and funds			€ 288,882
Short-term liabilities			
Accounts payable		€ 55,673	
Other liabilities and accrued expenses	2.4.5	€ 8,729	
Total short-term liabilities			€ 64,402
TOTAL LIABILITIES			€ 353,284

2.2 Statement of income and expenditure for the period of 27 July 2018 to 31 December 2019

	Note	Budget for the year ending 31 December 2020	Budget for the period from 27 July 2018 until 31 December 2019	Actuals for the period from 27 July 2018 until 31 December 2019
INCOME				
- Income from citizenM savings	2.5.1	€ 132,000	€ 837,903	€ 953,356
- Income from sponsor contributions	2.5.1	€ 0	€ 138,238	€ 96,628
- Income other (individuals)	2.5.1	€ 940	€ 103,130	€ 87,011
Total income		€ 132,940	€ 1,079,271	€ 1,136,995
EXPENSES				
Expenditure on objectives				
World Bicycle Relief fund contribution	2.5.2	€ 230,000	€ 634,379	€ 613,774
Operating expenses				
- Outside labour expenses	2.5.2	€ 94,383	€ 87,000	€ 92,058
- Marketing and sales expenses	2.5.2	€ 5,000	€ 69,885	€ 42,256
- Expenses for cycle events	2.5.2	€ 0	€ 102,768	€ 68,070
- Other administrative and general expenses	2.5.2	€ 25,000	€ 25,015	€ 17,225
Total operating expenses		€ 124,383	€ 284,668	€ 219,609
Sum of income and expenditures before financial income and expenses		€ -221,443	€ 160,224	€ 303,612
Financial income and expenses	2.5.3	€ -10,000	€ 0	€ -14,730
Balance of income and expenditure		€ -231,443	€ 160,224	€ 288,882

2.3 Accounting Policies

General

Activities

Stichting citizenMovement is a foundation, founded in 2018 and has its place of business in Voorschoten, The Netherlands. The foundation is registered with the Chamber of Commerce (KVK) under number 72240954 and has been designated as an ANBI foundation. The activities of the foundation, having its legal seat at Voorschoten, Leidseweg 219, 2253 AE, primarily consist of:

Mobilizing citizens to help reduce the distance between people and their opportunities, promoting the well-being of groups and individuals in society who are in a vulnerable or special attention position and creating opportunities and creating conditions for optimal development of these groups and individuals.

General accounting principles for the preparation of the financial statements

These financial statements are prepared according to Dutch Accounting Standard RJK C1.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, the assets and liabilities are recorded at face value.

The income and expenses are allocated to the period to which they relate. Income is only recorded insofar it has been realized on balance sheet date.

Obligations and possible losses originating before the end of the reporting year, are taken into account if they have become known before the preparation of the financial statements.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rate prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date are recorded in the income statement.

Estimates

When preparing the financial statements, the board is required by generally accepted accounting principles to use various estimates and assumptions in determining amounts in the financial statements. Actual results may differ from the estimates made.

Principles of valuation of assets and liabilities

Receivables, prepayments and accrued income

The receivables are included at fair value. Provisions deemed necessary for the risk of doubtful accounts are deducted.

Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

Reserve and funds

Continuity reserve

A continuity reserve may be formed to cover short-term risks and to provide security that the foundation can also meet its obligations in the future. The starting point is that the foundation must be able to pay the fixed cost for a period of 6 months from the continuity reserve.

Earmarked reserve

The total of reserves and funds is presented in such a way that it shows which part is freely disposable and which part is restricted. If part of the reserves and funds has been given a more limited spending option, then in view of the objective would be allowed by the organization, this part is accounted for as an earmarked reserve.

This restriction in the spending goal may have been imposed by the board of the foundation. If the restriction as referred to in the previous paragraph has not been made by third parties, but by the board, the part of the equity thus separated is designated as an earmarked reserve (and not as an earmarked fund). The notes state the amount and limited purpose of each earmarked reserve.

Liabilities

Liabilities are valued at amortized cost. If no share premium, discount or transaction costs are involved, the amortized cost equals the face value of the liability.

Liabilities are classified under the current liabilities if they can be claimed within 12 months after the balance sheet date and under the long-term liabilities if they cannot.

2.4 Notes to the balance sheet as at 31 December 2019

ASSETS

CURRENT ASSETS

2.4.1 Other receivables

This item can be broken down as follows:

	<div>As at 31-12-2019</div>
Income from housekeeping savings to be invoiced	€ 39,955

2.4.2 Cash

	<div>As at 31-12-2019</div>
Rabobank	€135,796

Cash and cash equivalents are at free disposal to the Company.

LIABILITIES

FOUNDATIONS CAPITAL

2.4.3 Continuity reserve

The following other reserves have been formed as at 31 December 2019:

	<div>As at 31-12-19</div>
Continuity reserve	€ 50,000

	Balance as at 27-07-2018	Add	Less	Balance as at 31-12-2019
Continuity reserve	€ -	€ 50,000	€ -	€ 50,000
Total	€ 0	€ 50,000	€ 0	€ 50,000

2.4.4 Earmarked reserve

The following earmarked reserves have been firmed as at 31 December:

	As at 31-12-2019
Earmarked reserves WBR projects	€238,882

The movements in the earmarked reserves are as follows:

	Balance as at 27-07-2018	Add	Less	Balance as at 31-12-2019
Earmarked reserve WBR Projects	€ -	€ 238,882	€ -	€ 238,882
Total	€ 0	€ 238,882	€ 0	€ 238,882

The above reserve is earmarked for projects of our partner World Bicycle Relief (WBR). Their BEEP initiative (Bicycles for Educational Empowerment Program) provides bicycles to students in developing countries to make their journeys to school shorter, and feasible.

2.4.5 Other liabilities and accrued expenses

	As at 31-12-2019
Accrued audit expenses	€ 8,729

2.5 Notes to the state of income and expenses for the period of 27 July 2018 to 31 December 2019

INCOME

Notes to the state of income and expenses

If the expenses of the statement of operating income and expenditure are classified into product groups in accordance with the budget they can be broken down as follows:

	Budget for the period from 27 July 2018 to 31 December 2019	Actuals for the period from 27 July 2018 to 31 December 2019
<u>2.5.1 Income</u>		
- Income from citizenM savings	€ 837,903	€ 953,356

The income from HFC savings received from citizenM Holding B.V. was higher than budgeted, mostly because of the contribution from the hotels in the U.S. where the savings were higher than expected. Also the new hotels opened in 2019 (Amstel Amsterdam, Boston North Station and Zurich) were budgeted in low.

- Income from sponsor contributions	€ 138,238	€ 96,628
-------------------------------------	-----------	----------

The income from sponsor contribution was lower than budgeted, mostly because a staff engagement event of citizenM in December 2019 was much smaller than originally planned, contributing around € 2,500 whilst the budget was around € 30,000.

- Income from other (individuals)	€ 103,130	€ 87,011
-----------------------------------	-----------	----------

This income was lower than budgeted expected, because of a lower average amount per individual cyclist for the cycle events.

2.5.2 Expenses

	Budget for the period from 27 July 2018 to 31 December 2019	Actuals for the period from 27 July 2018 to 31 December 2019
Expenditure on objectives		
World Bicycle Relief fund contribution	€ 634,379	€ 613,774

The contribution to WBR in € was lower than budgeted because of a higher foreign exchange rate which was used in the budget. The amount contributed in GBP was on budget.

Operating expenses

- Outside labour expenses	€ 87,000	€ 92,058
- Marketing and sales expenses	€ 69,885	€ 42,256
- Expenses for cycle events	€ 102,768	€ 68,070
- Other administrative and general expenses	€ 25,015	€ 17,225

The outside labor expenses consist of 0.5 FTE recharged from citizenM Operations Holding B.V. and a consultant hired for the cycle events. The expenses are higher than budgeted because in the budget VAT was not taken into account.

The marketing and sales expenses and the expenses for the cycle events are lower than budgeted, mostly because of some adjustments in the end of 2019, a spinning marathon in the hotels was cancelled, saving € 24,000. Furthermore, a video production and some bike rentals were cheaper than budgeted.

The other administrative and general expenses were lower than budgeted mostly because the audit expenses were lower than budget, the impact is around € 5,000.

2.5.3 Financial income and expenses

	Budget for the period from 27 July 2018 to 31 December 2019	Actuals for the period from 27 July 2018 to 31 December 2019
Financial expenses	€ 0	€ 14,730

The financial expenses relate to foreign exchange losses on the period between the invoicing and the payment of the contribution to WBR.

2.6 Other disclosures

Appropriation of result for financial year over the period from 27 July 2018 until 31 December 2019

The annual report 2019 was adopted in the Foundation board meeting held on 25 June 2020. The foundation board meeting has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year end over the period from 27 July 2018 until 31 December 2019.

The balance of income and expenditure over the period from 27 July 2018 until 31 December 2019 was € 288,882. We propose to allocate the result to:

Continuity reserve	€ 50,000
Earmarked reserve WBR Projects	€ 238,882

The financial statements reflect this proposal.

Board remuneration policy

The board members do not receive any kind of remuneration and they do not receive any kind of expenses allowances.

Subsequent events

During 2020 citizenM started to feel the impact of the Coronavirus (COVID-19) on its business and cashflow, starting with lower occupancies in the period from March until June, and ending with travel limitations and lockdowns all over the world. Also, the impact was seen in significantly lower bookings for the remainder of June and the coming months. It is very uncertain and unpredictable when all limitations will be lifted, and when business will be back to a more normalized situation. The impact of the Coronavirus on the 2020 financial year will be a decrease of revenue and decrease of results compared to 2019. Due to the noted uncertainty, the impact cannot currently be fully quantified.

citizenM has based on the most current available information started to take direct actions from a safety, business continuity, and liquidity perspective. This also entailed updating the profit and loss and cash flow forecasts considering the impact of COVID-19 as much as possible given the uncertainties combined with the fact that the regular 2020 budget and the 2020 cash flow forecasts are no longer relevant.

The impact on citizenM of course will have its impact on the foundation. On 15 April, the board decided to drastically adjust the 2020 budget, as the expectation is that the remaining housekeeping savings will not be realized until the end of the year and all fundraising events will be cancelled until the end of the year 2020. Even though we are heavily impacted by the virus the board confirms that they have no reason to doubt the fact that the foundation will have adequate resources to continue in operational existence for the foreseeable future.

Signing of the financial statements

Voorschoten, June 25, 2020

Board:

N.P. van Lookeren Campagne

H. Bijl

J.W. van Alkemade

3. Other information

3.1 Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

INDEPENDENT AUDITOR'S REPORT

To: The board of Stichting citizenMovement

A. Report on the audit of the financial statements 2019 included in the annual report **Our opinion**

We have audited the financial statements 2019 of Stichting citizenMovement based in Voorschoten.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting citizenMovement as at 31 December 2019 and of its result for the period of 27 July 2018 to 31 December 2019 in accordance with the 'RJ-Richtlijn C1 voor Kleine Organisaties-zonder-winststreven' ('Guideline for annual reporting C1 for Small Not-for-profit Entities' of the Dutch Accounting Standards Board).

The financial statements comprise:

1. the balance sheet as at 31 December 2019;
2. the state of income and expenditure for the period of 27 July 2018 to 31 December 2019; and
3. the notes comprising of 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 Stichting citizenMovement 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 report

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

Management is responsible for the preparation of the other information, including the board report in accordance with 'RJ-Richtlijn C1 voor Kleine Organisaties-zonder-winststreven'.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 'RJ-Richtlijn C1 voor Kleine Organisaties-zonder-winststreven'. Furthermore, management is responsible for such internal control as management 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, management is responsible for assessing the entity's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 among others:

- 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 entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management'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 entity'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 an entity 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.

Rijnsburg, 26 June 2020

Van Wezel Audit B.V.

Was signed

J.H. Didden MSc RA