

Luther King House Educational Trust

(A company limited by guarantee)

Report and Financial Statements

31 August 2021

Charity number: 1082375

Company number: 04065581

LUTHER KING HOUSE EDUCATIONAL TRUST

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

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LUTHER KING HOUSE EDUCATIONAL TRUST

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2021

Luther King House Educational Trust

Report of the trustees for the year ending 31 August 2021

The directors, who are also trustees for the purposes of the Charities Act, present their report together with the audited financial statements for the year ending 31 August 2021.

Chair's report

Let me start on a very positive note. This July we celebrated the 10th anniversary of the appointment of the Revd Graham Sparkes as our President. We rejoice in the service Graham has rendered Luther King House Educational Trust, and the Board gathered, albeit virtually, and celebrated this anniversary with Graham at our July meeting.

This has been a year of challenge in the midst of a global pandemic when Government restrictions (lockdowns), challenges of operation and difficulties in delivering learning to our students have been faced, and by supreme hard work from our dedicated staff team, and with the support of our stakeholders, has enabled us to survive, albeit with struggles and disruptions. The autumn 2020 lockdowns and restrictions on face-to-face meeting with people outside of your own "bubble" meant that our academic team took the decision to undertake all teaching on line for the academic year. This early decision proved to be a wise move. Soon, we were all developing skills in the use of various on-line platforms and the creation of innovative support mechanisms to give our students the best learning experiences possible within the regional and national restrictions.

This move to on-line teaching and learning was conducted whilst working through the final cohorts engaged in studying for University of Manchester awards and enrolling students for awards of the University of Durham Common Awards. Inevitably, with the pandemic restrictions, we faced some delays and struggles, not least in obtaining approval from Durham for our procedures and policies, but we are pleased to note that our Bachelor and Masters programmes with the University of Durham have been validated and our policies approved. We are also delighted that our new MA in Chaplaincy Studies has been agreed with Durham and with Common Awards and our first cohort of students commences the programme in September 2021. All of this entailed much extra work for our staff team, ably led by our President and with the support of the academic staff of the constituent Colleges and our own registrar and library staff teams. We are very grateful to our librarian, Katie Paton, who did an immense amount of work during lockdown to support our students in their learning, ensuring access to books and articles.

In all this we sought to continue to fulfil our core educational objectives with the help and support of our dedicated staff and in cooperation with our founder members, partner Colleges and the wider Christian community in the north of England. We have continued to encounter demands being made on us by the Office for Students, though some of the requirements made of us, particularly in providing statistical information, have caused us challenges as the parameters used by the Office for Students have been more appropriate to large public-sector Universities than to small specialist higher education institutions such as ourselves.

In educational terms, despite the challenges and restrictions created by the pandemic, we have continued to work within the parameters of our 2018 Vision document and to offer a range of courses from informal education through to doctoral studies, utilising our current position in relationship to the University of Manchester for our higher degree provision. We remain delighted that our academic team at Luther King House are highly regarded in the field of delivering quality educational experiences in the discipline of theology.

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In terms of our use of premises and the business operation to support our primary objective of theological education, for much of the year, in common with the whole hospitality sector, we have been unable to function. We were able to take advantage of the Government furlough scheme for our domestic, catering and support staff, but it was only possible to re-open our accommodation services towards the end of this financial year as restrictions on hospitality provision were lifted in the summer. This proved immensely challenging to us in terms of financing our educational activities and maintaining our suite of buildings at Luther King House. We are grateful to two of our principal stakeholders, Northern College and Northern Baptist College for providing loan assistance and not requiring interest payment on earlier loans, as this enabled us to get through the financial year as a functioning institution. The boards of the constituent Colleges of Luther King House have shown their solidarity with us in these trying times.

At all times we have been cognisant of advice from the Charity Commission and the Office for Students. We have continued our regime of weekly review of cash flow, and the Board, through the Chair of the Finance and Monitoring Committee, has been in weekly contact with our Company Secretary to monitor the situation and consult with our principal stakeholders.

It is our belief, as we have observed the recovery of income through our trading subsidiary in the months of September, October and November 2021, that Luther King House is a viable concern and though we cannot predict any future restriction to our trading activities, we have no reason, at the present time, to believe there is an immediate challenge to our viability.

However, we are very conscious of the recent decline in the number of students signing up for our BA degree in theology. Accordingly, we have discussed with our principal stakeholders, the importance of having significantly more students engaged in this level of study in the coming years and, in full co-operation with them, we are constructing a recruitment campaign to develop student numbers in this core educational group to further ensure the long term viability of the institution and we continue to engage in dialogue with our principal stakeholders as we work together in emerging out of the difficult operating conditions of the last two years to continue to seek a sustainable long-term future for our important work in the north and midlands of England.

During the year a re-branding exercise took place focused on our core educational activities and we now market ourselves as the Luther King Centre for Theology and Ministry. We have introduced a new logo and upgraded our website as we look to the future, recognising our activities need to appeal to a wider range of people across the north and midlands and that our educational activities, though based in Luther King House, have a delivery beyond the physical structure.

In all this uncertain time we have valued the leadership of the President, Company Secretary, College Principals, the Principal of Open College and their supporting staff, who have worked to the uttermost to enable us to fulfil our core objectives in a time of drama and uncertainty never previously experienced by the Luther King House Educational Trust.

The Board has continued to meet regularly although, throughout the year under review, meetings of the Board and the Finance and Management Committee have continued to be held by Zoom.

There have been changes to the Board during this period with Jenny Mills joining the Board as a representative of the United Reformed Church in October 2020, and Theo Akano joining the Board as an independent member in July 2021.

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The Board has been vigilant in overseeing all the activities of Luther King House and congratulates all the staff and our key educational partners in their continued endeavours to maintain our vision and hold fast to our values and standards in a fast-moving and challenging environment. It remains a pleasure for me to chair a hard-working Board supporting the President and a quality staff team as we seek to serve the Christian community of the North and Midlands.

A handwritten signature in black ink, appearing to read 'Keith G Jones', with a large, stylized flourish extending to the right.

Keith G Jones
Chair

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Aims and objectives

The objects of the Trust are:

The advancement of education in areas of Christian faith, practice and dialogue and in particular but without limitation:

- The provision of learning opportunities for members of churches and other interested parties;
- The sharing of theological resources with and among local churches and communities;
- The preparation of persons for accredited forms of ministry;
- The provision of opportunities for post graduate research;
- The provision of an educational establishment together with ancillary services; and
- To advance education generally

The vision of the Trust may be summarised as to provide a learning resource and a flexible residential facility to enable the Partnership to:

- Be concerned with theological education to help all live responsibly and creatively in a plural society;
- Encourage people to shape their personal and communal futures through responsible citizenship;
- Be a centre of excellence at all levels of its work;
- Have a particular concern for Christian mission in an urban society, by building an ecumenical network of support and shared resources;
- Create communities of learning, worship, justice and liberation;
- Express belief in one God, one world and one people;
- Be open to learning with people from a wide range of understandings, insights and commitments;
- Develop international links for mutual learning with the world church;
- Integrate learning from different disciplines, faiths, personal and reported experience in church and political life; and
- Engage with scriptures, past and present Christian traditions, the world church, other faith communities and contemporary experience and thinking.

The facilities at Luther King House include:

- Study and office facilities for the academic and administrative staff of those Member Bodies based at Luther King Centre;
- Residential accommodation and study facilities for students of Member Bodies as required;
- A dining room providing breakfasts, lunches and evening meals;
- Social provision including student kitchen & laundry facilities and a large lounge;
- A learning resources facility including books, periodicals and internet access; and
- A chapel for community worship on an ecumenical basis.

When the facilities of the House are not being fully utilised in pursuit of the Trust's core activities, spare capacity is marketed to other persons and bodies. Any surpluses arising from this activity are re-invested in the Trust's core activities.

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Public Benefit Statement

The Trust provides university validated courses of theological education for the benefit of any who are academically qualified, not only for those training for accredited ministries in the church. Fees are charged, though these do not cover the full cost of providing the service. Steps are taken to ensure the fees do not exclude the poor; bursaries are available, and the Trust works within a general environment of government provision designed to support poorer students and widen access. British residents of foreign nationality are charged only at the domestic rate. The Trust has, in fact, a significant number of non-traditional learners amongst its students, and a growing number from minority ethnic groups. Through the development of flexible and distributed learning, the Trust is also seeking to overcome further barriers to learning. The Trust's academic staff also contribute to the delivery of similar courses by other associated theological institutions.

The Trust works with churches in equipping them and their leadership for their roles in the community. Among those it trains, for instance, are church related community workers, whose whole purpose is community development. Those training for accredited ministries are seldom able to use their education to advance their own material interests; their sole reason for entering training is to serve the needs of local congregations and communities. Many do so in training placements throughout their course of education.

The Trust's facilities are of benefit to a wide range of the public. Membership of the library is available to all for an easily affordable annual charge. When Government restrictions permit, a wide variety of groups use the teaching rooms for learning and training events; the Trust makes a point of making its educationally equipped meeting rooms widely available when not needed for its own courses and does so for charities and churches at reduced rates.

We have complied with the duty under the Charities Act to have regard to the public benefit guidance published by the Charity Commission.

Achievements and performance

The Trust's charitable objective is the advancement of education in areas of Christian faith, practice and dialogue and the challenge to this objective from factors outside the organisation continues. Both full and part time courses of study are offered at undergraduate and postgraduate levels alongside a Diploma of Higher Education and Certificate of Higher Education.

Despite the ongoing challenges and disruption of Covid, student numbers have remained generally stable but there has been a slow decline in the number of BA student. Our student body continues to reflect a broad ethnic and cultural diversity, and many do not have English as their first language. Students are supported by our academic staff and through the learning and resource centre. This latter offers support through study skills and proof-reading.

Since March 2020 much of the teaching and learning has been achieved through e-learning. Events were held to equip our academic staff for on-line teaching and to improve their skill base. It has been the focus of our academic team to ensure that all students have been able to take full advantage of the resources provided and extra support has been offered, where necessary. This approach has had to continue with the enduring impact of Covid and has created new challenges and opportunities in supporting and encouraging individual students. The use of online learning has also provided opportunities to explore new ways of engaging with our students and valuable learning opportunities for all staff.

The President and staff have worked hard to achieve, as best as possible, a sense of community and to promote collaborative working amongst the student community.

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LKC is registered in the 'Approved (fee cap)' category of the Office for Students. LKC holds the Bronze award from TEF.

The Trust has, perforce of the Covid-19 pandemic, been focused on supporting students through on-line learning and maintaining financial viability until such time as we are able to re-open our facilities, resume face to face teaching and learning and once again provide student and public access to our library resource. For a second year our operation has been challenged and adversely affected by the Government restrictions. This in turn has created unique financial pressure with the loss of significant revenue from Bed, Breakfast and Conference facilities.

In accordance with the decision of the Board, LKC has obtained validation with Durham University and Common Awards. We continue to explore an appropriate partner for our Research programme.

The continuing requirements of GDPR are recognised and embodied with our processes, policies and procedures.

The significant drop in our income has not allowed us to continue with the upgrading of our bedroom stock and all but essential capital projects have been shelved until our revenue stream has recovered from Government restrictions.

The following key educational objectives were established for 2020-21, together with indicators of how these have been met:

Objective	Indicators of Achievement
Broaden and deepen the experience and practice of e-learning	All academic staff have been developing their skills in designing and offering e-learning packages for their academic discipline. Student feedback has been very positive.
Find a partner for the LKC Research programme	Work on this is on-going and will be concluded in 2022
To work with our partner colleges in predicting student numbers for the future.	This is at an early stage, but its purpose will enable us to plan for future growth and financial stability. Plans for new initiatives in BA recruitment are being developed.
To broaden our student base.	We are continuing to look at ways in which we might attract a broader student base building on the experience of e-learning and further developing our online learning presence.

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Financial review

The Covid restrictions affecting our Bed, Breakfast and Conference business has resulted in a significant fall in the Group's income. Our focus has been on managing cash flow on an almost day to day basis. This approach has typified our financial monitoring over the past year and has only begun to be eased by the return to our Bed and Breakfast business from July.

The Statement of Financial Activities for the Group

The focus of concern throughout the year has been to enable Luther King House Educational Trust to continue as a going concern during lockdown and to this end we have been in regular discussions with our principal stakeholders, Northern Baptist College, and the Northern College (United Reformed Church, Congregational Federation and Moravian Church) to provide support to ensure we could continue operating until we are able to re-start accommodation, catering and conference services. The initial support has included the two Colleges facilitating deferral of interest payments on loans and loan capital on funds previously advanced for improvements to the premises at Brighton Grove. A further line of support has been agreed with the two Colleges for a line of credit which has been accessed due to the continuing loss of our Bed, Breakfast and Conference business. This provision is regularly monitored and specific meetings between officers of the two College governing bodies and the Chair and President of Luther King House Educational Trust ensures that cash flow and the operation of Luther King house continues in a sustained way. Both Colleges have issued letters of support for the Trust extending until 2026.

The Government lockdown prohibiting the Luther King Centre from offering accommodation and catering services severely reduced income from that provision. The Trust was able to recover 23% of staffing costs through the Government's furlough scheme.

At the end of the year the losses before tax incurred were:

Charity	£140,830
Subsidiary	£ 23,410

Resulting in an overall loss of £164,240.

In the light of this year end position, we have experienced a negative working capital position in the Balance Sheet, and as the Trustees anticipated when lockdown was in place, the bank balance was £161,745 at the end of the year.

Reserves policy and going concern

The total level of reserves at year-end amounted to £778,852 (2020 - £937,239). The Trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. Although the Trust seeks to maintain sufficient reserves to meet 3 months' worth of running expenditure, currently approx. £217.5k, the current level of free reserves is calculated to be £15,920 (2020 - £16,554). However, the Trust will continue to work each year to increase the level of free reserves. The Trustees continue to review areas, particularly within the accommodation area of the group, where increased efficiencies can allow free reserves to increase to the target level and this will be particularly pertinent in the coming year as we recover from the pandemic.

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The Trust finances its operations through a mixture of retained profits and college loans. The management's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due. This policy has been challenged during the year because of the Covid-19 global pandemic and the Trust has had to recourse to the governing bodies of the two major constituent colleges for relief provision on loan repayment and a commitment to further loan support.

The Trust makes little use of financial instruments other than an operational sterling bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and net incoming/outgoing resources.

The trustees are responsible for ensuring that the charity maintains an appropriate level of reserves to meet assessed risk and to manage cash flow. In the current uncertain climate, the priority has been regularly ensuring that the Trust has sufficient cash flow to meet obligations. The easing of restrictions from July allowed the Trust to re-commence offering accommodation, conference, and food services. However, trading will be challenging as public confidence starts to re-build and people feel confident enough to travel again.

Nevertheless, the last two months of this financial year gave grounds for optimism with an overall revenue of £94,496.

Because a significant income source for the Trust is through the bed and breakfast business of its subsidiary "Luther King Centre Conference and Accommodation Services Ltd". The Covid -19 restrictions significantly reduced the income from the subsidiary and during the country wide lock-down the subsidiary had no income stream. To support the business during this time the Trust took the following actions:

- Made full use of the Government furlough scheme
- On the existing loans with the existing stakeholder colleges the Trust negotiated a twelve month pause in repayments
- All non-essential capital expenditure was stopped
- An even stricter monitoring of cash flow
- Staffing hours were reviewed and where necessary reduced
- Conversations taken place with the Trustees of the Northern College and Baptist College about the provision of loans as required and within agreed and clearly defined parameters.

In addition to these actions the Trustees assessed several strategic options and concluded that the current model depending upon the subsidiary to return to profitability was still the most viable option for the future despite the current uncertainty.

We note the following regarding the operation of the LKHAS subsidiary.

- Only a relatively small percentage of our business is drawn from tourism and hence less affected by the lockdown.
- Manchester is a growing city with a range of entertainments and two Premier football clubs which means that once the pandemic is contained the potential for new bookings is high
- We have a good strong cadre of loyal customers and are well placed to access the city
- The current model has shown a significant revenue growth over the years
- We have been a successful venue for small conferences and again, historically, we have shown that we have a strong presence in this field
- We regular review staffing and accommodation prices to be the most cost effective.

Based on this assessment the Trustees believe that the Trust is a going concern and that, with the gradual recovery of the accommodation services, we can continue for the foreseeable future (a

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minimum twelve months from the date of the signing of these accounts). In addition, we are not aware of anything beyond that date which might cause an interruption.

Plans for future years

We have reviewed the staff to minimise costs whilst continuing to provide a good standard of service to all our current and future clients. Once we return to profitability our intention is to continue our bedroom upgrades.

We continue a strategy for the marketing of LKC Open College that admits students direct to LKC rather than through one of its constituent colleges. This includes work on the website, on publicity, and on ways of promoting the LKC brand.

Reference and administrative details

Charity number: 1082375
Company number: 04065581

Secretary and Registered Office:

Mrs Claire McEwen, Luther King House, Brighton Grove, Rusholme, Manchester, M14 5JP

Our advisers:

Auditors

Crowe UK LLP, 3rd Floor, The Lexicon, Mount Street, Manchester, M2 5NT

Bankers

CAF Bank, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ

Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purposes of charity law. The trustees and officers serving during the year and since the year end were as follows:

Revd Dr Keith G Jones
Revd Dr Andrew J Lunn (F)
Revd Dr Clara N Rushbrook (F)
Revd Charles J Nevin
Revd Dr Simon J Oxley (F)
Revd Dr Rosalind M Selby (F)
Dr Jacqueline G Hirst
Ms Erica M Dunmow
Revd Anthony Howe
Revd Jenny Mills (appointed 8 October 2020)
Bishop Theo Oluwasegun Akano (appointed 8 July 2021)

(F) = Directors appointed by a Founder Member according to its rights defined in the company's

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Articles of Association.

Key management personnel

President	Revd Graham Sparkes
Finance Manager/	
Company Secretary	Mrs Claire McEwen
Operations Manager	Mr Martin Cloves
Academic Registrar	Miss Clare Richardson
Librarian	Miss Katie Paton
Open College Principal	Revd Dr Kim Wasey

Structure, Governance and Management

Governing Document

The Trust is a charitable company limited by guarantee and was set up on 1 September 2000. It is governed by a Memorandum and Articles of Association. The charity was created to carry on and further develop the work of its two predecessor charities, the Manchester Christian Institute (charity number 515358) and the Northern Federation for Training in Ministry (charity number 517496). Both these charities transferred their net assets as at 31 August 2000 to the Trust and were then dissolved.

The Memorandum and Articles of Association were updated in April 2015.

Every member promises, if the Charity is wound up while he/she is a member or within 12 months after ceasing to be a member; to pay such amounts as is required up to £1 towards the costs of dissolution and the liabilities incurred by the Charity while the contributor was a member.

The concept of the Partnership for Theological Education was born in 1997, under the umbrella of the Manchester Christian Institute. In September 2000, the member bodies of the Partnership became the member bodies of the Trust. The Partnership for Theological Education continues to be the operational name under which the Trust carries out some of its educational activities.

The financial basis of the Trust was the agreement of the four Founder members to provide to the Trust the land and buildings of Luther King House valued at £700,000 and cash totalling £500,000.

The original land and buildings were transferred from Northern Baptist College to a charity called the Luther King House Property Trust under a Charity Commission Scheme (case number 180221) dated 27 June 2002. Luther King House Property Trust is a separate charity from the Trust, but the Trust is its only trustee. The Charity Commission has given permission for the two charities to be accounted for as if they were a single entity.

Appointment of trustees

Where a vacancy arises for a director appointed by a Founder Member organisation, the organisation concerned makes the appointment in accordance with its own internal processes.

When a vacancy arises for an independent director, the Board considers any gaps in its current expertise and experience and in the various constituencies represented. It also has concern for its gender and ethnic balance. It then identifies a person or persons who could fill some of those gaps. An invitation is issued. Training of new directors includes the provision of a comprehensive induction pack. The Board encourages and supports directors who wish to pursue opportunities that will help them fulfil their responsibilities as trustees.

A new protocol has been developed to cover the appointment and re-appointment for all members

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of the Board.

Changes to the trustee body

During the year we appointed two new members of the Board. Bishop Theophilus Akano to develop our work and relationship with the black led churches. Also, the Rev. Jenny Mills representing the URC following the resignation of the Rev. Fiona Thomas.

Trustee induction and training

Induction is tailored for new Trustees due to the very different needs of Independent and Foundation Trustees.

Organisation

The Board of Trustees administers the charity. The Board meets on at least four occasions each year. Responsibility for governance remains with the Board of Directors and its Finance and Monitoring committee, which meets quarterly and includes an internal audit function to check on not only financial and ethical matters, but also policies relating to equal opportunities, child protection and staff terms and conditions. There is a separate Health and Safety committee which focuses on compliance and care of staff.

Responsibility for day to day management is entrusted to the Operations committee, led by the President (a full time salaried officer). The committee includes the Principals of the three Colleges that participate in the Trust's educational activity and provide most of its teaching staff. Operations focuses on implementation, co-ordination, staff management, staff development and deployment of resources.

There are two academic committees to manage the BA, MA and Research programmes, chaired by a member of the academic staff, and attended by the staff who teach on the programmes, student representatives and representatives of the University of Manchester and the University of Durham and Common Awards as appropriate.

Related parties and cooperation with other organisations

The trustees do not receive remuneration in relation to their role on the board, however the Board includes members who are employed by member organisations and who are members of the teaching team delivering educational services for the Charity. This aspect of their work is remunerated.

A new company, Luther King House Conference and Accommodation Services Limited, was set up on 27 July 2009. This company is a wholly controlled subsidiary of the Trust. Its purpose is to carry on the conference and accommodation business at Luther King House and it operates under a licence granted by the Trust. It began trading on 1 September 2009. The directors of the main Trust are also directors of the subsidiary.

The directors' report and the accompanying financial statements concern the combined results of the Group for the year to 31 August 2020. Balance sheets for the Group and for the Charity are shown on page 17.

Charity Governance

In July 2018 the Board agreed to adopt the 'Charity Governance Code' with additional principles relating to Higher Education. Whilst this had been discussed in the past and generally reflected current

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practice, the Board recognised that it would be appropriate to formally adopt the code and put in place procedures for its implementation and regular monitoring. This latter activity would be achieved by an annual review in the Autumn at the same time as all other policies were reviewed. The Board agreed the following affirmations relating to its academic staff:

- That LKC affirms that its academic staff have freedom within the law:
 - to question and test received wisdom; and
 - to put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing the jobs or privileges they may have at LKC.
- That LKC affirms its commitment freedom of speech and the encouragement of debate of all kinds as long as this takes place within the law and will take such steps as may be necessary to secure such freedom.

Pay policy for senior staff

Staff pay is agreed by the Board on recommendation of the Finance Committee. Remuneration for senior staff is based on role, experience and performance. It is reviewed annually and normally increased in accordance with average earnings.

Risk Management

The directors maintain a register of the major risks which the Trust faces, and they review this register regularly. Each risk is assessed for its severity and its likelihood and for the effectiveness of the steps taken to manage the risk. The Register is regularly reviewed by the Finance and Monitoring Committee and risk management is now a standing item on the agenda of the LKHET Board meetings. In reviewing the Register, the directors considered the most serious risks facing the Trust, and the actions taken to mitigate them are:

- Failure to maintain income to sustain core activities
Annual budgets are prepared by key management personnel and comparisons to actual are carefully monitored throughout the year. Since the pandemic cash flow is monitored on a daily basis and 3-year forecasts are now part of the annual budgeting process. There are regular reviews of strategic policies.
- Lack of student numbers
Student recruitment is monitored closely, and publicity and marketing initiatives are carried out. The Trust ensures that academic programmes are meeting the requirements of the respective Colleges and denominations.
- Change in or termination of validation arrangements
The Trust maintains strong institutional links and ensures that high quality programmes are maintained. The arrangements that are in place are reviewed on a regular basis.
- Failure to adequately maintain and improve the property
Regular maintenance and improvement work are budgeted for and carried out. The property is regularly inspected, and necessary work is carefully prioritised.

Trustees' responsibilities in relation to the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and group of the incoming resources and application of resources including the income and expenditure, of the group for that

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period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement as to disclosure to our auditors

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the trustees



Charles Nevin
Director

6th January 2022

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INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 AUGUST 2021

Opinion

We have audited the consolidated financial statements of Luther King House Educational Trust for the year ended 31 August 2021 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including 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 group and charitable company's affairs as at 31 August 2021 and of the group's incoming resources and application of resources, including 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 Companies Act 2006.

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 group 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. 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.

LUTHER KING HOUSE EDUCATIONAL TRUST

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 AUGUST 2021

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report for the financial year for which the consolidated financial statements are prepared is consistent with the financial statements; and
- the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees are 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 the trustees determine 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 trustees are responsible for assessing the charitable company'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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, Charities Act 2011 and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and completeness of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing from student record documentation and sample testing of accommodation records to the consolidated financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.


LUTHER KING HOUSE EDUCATIONAL TRUST

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 AUGUST 2021

Use of our report

This report is made solely to the group and charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group and charitable company's members 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 group and charitable company and the group and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Vicky Szulist
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

11th February 2022

LUTHER KING HOUSE EDUCATIONAL TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure account)

YEAR ENDED 31 AUGUST 2021

		Unrestricted	Restricted	Total Funds	Total Funds
	Note	Funds	Funds	2021	2020
		£	£	£	£
Income:					
<i>Income from charitable activities:</i>					
Academic and housing activities	3	497,643	-	497,643	512,917
<i>Income from other trading activities:</i>					
Commercial trading operations	4	208,686	-	208,686	493,110
Investment income	5	-	-	-	1
Total income		706,329	-	706,329	1,006,028
Expenditure					
<i>Costs of raising funds</i>					
Commercial trading operations		212,596	-	212,596	345,441
<i>Expenditure on charitable activities:</i>					
Academic and housing activities	6	520,086	137,886	657,972	844,638
Total expenditure		732,682	137,886	870,568	1,190,079
Net income/(expenditure) before tax and net movement in funds for the year	9	(26,353)	(137,886)	(164,239)	(184,051)
Tax expense	11	5,852	-	5,852	-
Net income/(expenditure)		(20,501)	(137,886)	(158,387)	(184,051)
Reconciliation of funds					
Total funds brought forward		99,353	837,886	937,239	1,121,290
Total funds carried forward		78,852	700,000	778,852	937,239

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.

LUTHER KING HOUSE EDUCATIONAL TRUST

GROUP AND CHARITY BALANCE SHEETS

Company No: 04065581

YEAR ENDED 31 AUGUST 2021

		Group		Charity	
	Note	2021 £	2020 £	2021 £	2020 £
Non-current assets					
Deferred Tax asset	11	5,852	-	-	-
Tangible assets	12	1,340,432	1,398,185	1,340,432	1,398,185
Total Non-current Assets		1,346,284	1,398,185	1,340,432	1,398,185
Current assets					
Stock	13	1,302	2,619	-	-
Debtors	14	72,494	28,694	66,102	68,342
Cash at bank and in hand		161,745	101,990	136,311	58,654
Total Current Assets		235,541	133,303	202,413	126,966
Liabilities					
Creditors falling due within one year	15	(225,473)	(128,000)	(169,306)	(122,063)
Net Current assets		10,067	5,303	33,106	4,933
Total assets less current liabilities		1,356,352	1,403,489	1,373,538	1,403,118
Creditors falling due after more than 1 year	16	(577,500)	(466,250)	(577,500)	(466,250)
Net assets		778,852	937,239	796,038	936,868
The funds of the charity:					
Unrestricted income funds	19	78,852	99,353	-41,848	98,982
Restricted income funds	19	700,000	837,886	837,886	837,886
Total charity funds		778,852	937,239	796,038	936,868

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The company has not delivered a copy of the profit and loss account to Companies House.
Signed



Charles John Nevin
Trustee



Rosalind May Selby
Trustee

Approved by the trustees on 6 January 2022
The notes at pages 23 to 37 form part of these accounts.

LUTHER KING HOUSE EDUCATIONAL TRUST**CASH FLOW STATEMENT****YEAR ENDED 31 AUGUST 2021**

		Group	
	Note	2021 £	2020 £
Cash used in operating activities	23	(43,360)	(118,665)
Cash flows from investing activities			
Interest income		-	1
Purchase of tangible fixed assets		-	(9,649)
Cash provided by (used in) investing activities		-	(9,648)
Cash flows from financing activities			
Repayment of borrowing		-	(18,750)
Interest paid		3,115	(15,749)
Loan taken out in the year		100,000	-
Cash used in financing activities		103,115	(34,499)
Increase (decrease) in cash and cash Equivalents in the year		59,755	(162,812)
Cash and cash equivalents at the beginning of the year		101,990	264,803
Total cash and cash equivalents at the end of the year		161,745	101,990

The charity has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cash flow statement with the consolidated accounts.

The notes at pages 23 to 37 form part of these accounts.

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

Notes on the accounts

1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

Luther King House Educational Trust is a private company limited by guarantee, incorporated and registered as a charitable company in England (Registered No. 1082375 (Company) & 04065581 (Charity)). Its registered office is listed on the reference and administration page.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Luther King House Educational Trust 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 note(s).

b) Preparation of the accounts on a going concern basis

The Finance committee, on behalf of the Board, considered the work performed by the management in assessing the Trust's ability to continue as a going concern, particularly around its consideration of the impact of COVID-19 and the steps taken to protect the Trust's liquidity. The committee reviewed the worst-case scenario and, combined with the letters of support from the two College stakeholders, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern, as referred to in Trustees' report.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned trading subsidiary company, Luther King House Conference and Accommodation Services Limited. A separate statement of financial activities incorporating an income and expenditure account for the charity itself is not presented because advantage has been taken of the exemptions under the Companies Act 2006.

d) Income and expenditure

All incoming resources are included in the Statement of Financial Activities when the Trust is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Most course fees are invoiced at the beginning of each academic year and are receivable then.

College block charges are agreed in advance each year with the colleges. The total charges for the financial year are invoiced in September and received in instalments through the year.

Other income is recognised on a receivable basis.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

Allocation of expenditure

Governance costs are those incurred in connection with public accountability and the strategic planning process of the Trust. Governance costs represent the time spent by employees on these matters.

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

General funds are unrestricted funds which are available for use at the discretion of the directors in furtherance of the general objects of the Trust and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for particular purposes. The cost of realising and administering all funds are charged against the general fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

g) VAT

Irrecoverable VAT is written off in the year except for where it relates to capital items, in which case it is added to the cost of additions affixed assets

h) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

i) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office and computer equipment	33% straight line
Furniture, fixtures and fittings	20% straight line
Building improvements	5% straight line
Library development	2% straight line

As the residual value of land and long leasehold buildings is believed to be at least the carrying value of the asset no depreciation is provided.

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

j) Stock

Stocks consist of purchased goods for resale. Stocks are valued at the lower cost and net realisable value

k) Debtors

Trade debtors are recognised at the settlement amount after any trade discounts offered.

Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and 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.

m) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

n) Financial instruments

The Charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activity.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of financial activities.

p) Capitalisation Policy

The company prepares the financial statements in accordance with the concept of materiality. Therefore, the company will capitalise costs that are greater than the following limits: individually have a cost of more than £1,000, or collectively have a cost of least £1,000 where the assets are functionally interdependent, have simultaneous purchase dates and are anticipated to have simultaneous disposal dates, and are under single managerial control.

Judgements in applying accounting policies and key sources of estimation uncertainty

The charity makes estimates and assumptions concerning the future. The Finance Committee reviewed the worst-case scenario and, combined with the College letters of financial support, concluded that there is no material uncertainty around the Trust's ability to continue as a going concern and as such the disclosures in this area are appropriate. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment and note 1i for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors.

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

The entity is a private charitable company, Charity number 1082375. The registered office is Luther King House, Brighton Grove, Rusholme, Manchester M14 5JP.

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

3. Incoming resources from charitable activities

	2021 £	2020 £
House income		
Rent	16,119	19,269
Sundry income	135,889	103,776
	<u>152,008</u>	<u>123,045</u>
Academic activities		
College fees	248,433	278,906
College block charges	72,000	72,000
Sundry income	25,201	38,966
	<u>345,634</u>	<u>389,872</u>
Total	<u>497,643</u>	<u>512,917</u>

4 Trading operations and investment in trading company

The consolidated statement of financial activities includes the results of the Charity's wholly controlled subsidiary. The Charity is the sole member of Luther King House Conference and Accommodation Services Ltd, (company number 6973866), a supplier of bed and breakfast and conference facilities. It pays almost all of its profits to the charity by gift aid.

Summaries of the trading result and balance sheet are as follows:

Trading result for the year ended 31 August 2021

	2021 £	2020 £
Turnover	208,686	493,110
Investment income	-	1
Cost of sales and administrative expenses Including internal rent of £180,000	<u>(232,096)</u>	<u>(450,441)</u>
Profit (Loss) before tax	(23,410)	42,670
Tax expense	5,852	-
Profit (loss) for the year	<u>(17,558)</u>	<u>42,670</u>
Amount gifted to the Charity	-	<u>(42,670)</u>
Retained in the subsidiary	<u>(17,558)</u>	-

Balance Sheet at 31 August 2021

Non-Current assets	5,852	-
Current assets	33,128	48,977
Creditors (amounts falling due within one year)	<u>(56,167)</u>	<u>(48,606)</u>
Total net assets (liabilities)	<u>(17,187)</u>	<u>371</u>
Aggregate reserves	(17,187)	371

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

5	Investment income	Unrestricted Funds	Total funds 2021	Total funds 2020
		£	£	£
	Bank interest receivable	-	-	1

6 Analysis of expenditure of charitable activities

	2021 £	2020 £
Academic and house activities		
Staff costs	346,147	383,266
Teaching fees	8,559	11,865
University registration	31,797	37,800
Bursaries	1,265	2,650
Books and periodicals	5,171	17,482
Bad debts	(1,598)	7,805
Rates and water	30,395	44,453
Light and heat	43,167	39,984
Cleaning	-	4,837
Insurance	7,950	9,264
Repairs and maintenance	6,739	21,182
Telephone	1,109	1,157
Office supplies and postage	9,949	10,675
Photocopying rental	1,033	1,520
Photocopying charges	492	824
Travel	638	638
Meetings & sundry xps	29,758	81,429
Depreciation of fixed assets	57,754	66,182
Support costs (see note 7)	67,789	88,884
Governance costs (see note 8)	9,858	12,740
Total academic and house activities costs	657,972	844,638

7. Support costs

	Unrestricted funds	Total funds 2021	Total funds 2020
	£	£	£
Loan interest	(3,115)	(3,115)	15,749
Bank charges	787	787	1,005
Irrecoverable VAT	15,418	15,418	17,042
President employment costs	53,935	53,935	53,951
Finance general costs	765	765	1,137
Total	67,789	67,789	88,884

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

8. Governance costs

	Unrestricted funds	Total funds 2021	Total funds 2020
	£	£	£
Audit fees	7,000	7,000	7,000
Professional fees	1,395	1,395	1,800
Trust meetings and expenses	1,463	1,463	3,940
Total	9,858	9,858	12,740

9. Net income/(expenditure) for the year

This is stated after charging	2021	2020
	£	£
Operating lease – photocopier	1,032	1,520
Staff pension contributions	56,066	61,046
Depreciation	57,754	66,182
Auditor's fees	7,000	7,000
Total	121,852	135,748

10. Staff costs and emoluments

	2021	2020
	£	£
Total staff costs were as follows		
Wages and salaries	449,028	536,501
Social security costs	34,008	39,290
Other pension costs	56,066	61,046
	539,102	636,837

None of the Trust's employees received remuneration in excess of £60,000 in the year (2020: £nil).

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The key management personnel of the parent charity, the Trust, comprise the Trustees, the President, Academic Registrar, Librarian, Finance Manager and Open College Principal. The total employee benefits of the key management personnel of the Trust were £192,735 (2020: £192,735). The employee benefits of the President were salary £44,548 and pension contributions £4,455, totalling £49,003.

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary Luther King House Conference and Accommodation Services Ltd. The key management personnel of LKHCAS Ltd is the Operations Manager whose employee benefits total £ 48,161 (2020: £48,161). The employee benefits of key management personnel for the group was therefore £240,896 (2020: £240,896).

Directors received no remuneration (2020:nil) and were reimbursed expenses as follows:

	2021	2020
	£	£
Reimbursement of expenses		
Keith Jones (travel expenses)	nil	170

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

Particulars of employees:

	2021		2020	
	Academic	Admin/House	Academic	Admin/House
	No.	No.	No.	No.
Full time equivalent	6	13	6	18
Average	6	15	6	28

Most of the teaching on the Trust's various courses is provided by employees of other bodies.

11. Taxation

Deferred tax assets in relation to continuing operations have been recognised in respect of the following item because it is probable that future taxable profits will be available which the Company can utilise.

The provision for deferred taxation, which arose in the year, is made up as follows:

	2021	2020
	£	£
Timing differences in respect of the year:	(5,852)	-

In the current year the trading subsidiary made a profit (loss) before tax of £(23,410) (2020: £42,670)

12. Tangible fixed assets

Group and charity	Office and Computer Equipment £	Fixtures Fittings Plant & Equipment £	Building Improvements £	Land and Long Leasehold Property £	Total £
Cost					
At 1 September 2020	169,452	297,846	1,312,393	700,000	2,479,691
Additions	-	-	-	-	-
Disposals	(4,712)	(6,516)	-	-	(11,228)
At 31 August 2021	164,740	291,330	1,312,393	700,000	2,468,463
Depreciation					
At 1 September 2020	156,048	262,979	662,480	-	1,081,507
Charge for the year	7,354	15,822	34,576	-	57,752
On disposals	(4,712)	(6,516)	-	-	(11,228)
At 31 August 2021	158,690	272,285	697,056	-	1,128,031
Net Book Value					
At 31 August 2021	6,050	19,045	615,337	700,000	1,340,432
At 31 August 2020	13,404	34,870	649,913	700,000	1,398,185

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

13. Stock

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Stock	1,302	2,619	-	-

14. Debtors

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Trade Debtors	42,210	3,627	1,878	3,627
Amounts owed by subsidiary	-	-	38,761	42,670
Prepayments	30,284	25,067	25,463	22,045
	72,494	28,694	66,102	68,342

Of the group trade debtors £ nil (2020: £nil) was due in over a year.

15. Creditors: Amounts falling due within a year

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Trade Creditors	62,708	19,943	18,431	18,537
PAYE & social security	8,812	8,840	8,812	8,840
VAT	15,161	26,641	15,161	26,641
Other creditors	18,977	18,707	17,578	17,676
Accruals and deferred Income	119,816	42,619	109,325	39,119
College loans	-	11,250	-	11,250
	225,473	128,000	169,306	122,063

LUTHER KING HOUSE EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

16. Creditors: Amounts falling due after more than one year

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
College loans (i)	410,000	410,000	410,000	410,000
College loans (ii)	67,500	56,250	67,500	56,250
College loans (iii)	100,000	-	100,000	-
Accruals and deferred Income	-	-	-	-
	577,500	466,250	577,500	466,250

College loans (i)

Included in creditors falling due after more than one year are loans of: £60,000 (2020: £60,000) and £230,000 (2020: £230,000) from Northern Baptist College. This organisation is a founder member of the Trust. The loans are repayable when the Trust has funds available, or on the dissolution of the Trust. Interest is payable at 1% below base rate on the £60,000 loan. An agreement was reached during the year to reduce the interest rate for the £230,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £230,000 loan.

£70,000 (2020: £70,000) and £67,500 (2020: £56,250) from Northern College. This organisation is a founder member of the Trust. The £70,000 loan is repayable when the Trust has funds available or on the dissolution of the Trust. An agreement was reached during the year to reduce the interest rate for the £70,000 loan to 1% above base rate. Previously the rate used had been based on the Charities Aid Foundation for its COIF units, collared at 4% for the £70,000 loan.

£50,000 (2020: £50,000) from Unitarian College. This organisation is a member of the Trust. The loan is repayable when the Trust has funds available or on the dissolution of the Trust. Interest is payable at 1% above base rate. It was previously the daily rate set by the Charities Aid Foundation for its COIF units, collared at 4%.

Total interest paid was £918 (2020: £668).

The Charity Commission has confirmed that it will be willing to authorise these loans to be repaid out of the proceeds of sale of Luther King House property if such a sale ever takes place and if the loans remain outstanding when it does.

College loans (ii)

Included in creditors falling due after more than one year is a loan of: £67,500 (2020: £56,250) from Northern College. The outstanding loan was repayable by 2023 but a deferral to 2026 was agreed in order to assist cash flow during the Covid-19 crisis. Interest is payable at 2.5%. The original £60,000 loan was taken to convert offices into bedrooms. A further loan of £90,000 was taken to convert additional offices to bedrooms. The loans will be repaid as follows:

2023: 11,250 2024: £22,500 2025: £22,500 2026: £11,250

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College loans (iii)

Included in creditors falling due after more than one year are loans that were granted during the year as emergency relief to a cashflow crisis at the height of the pandemic.

£75,000 (2020:£nil) from Northern College. Interest is payable at 1% over base rate.

Total interest paid to Northern College was £1,631 (2020:£2,006)

£25,000 (2020:£nil) from Northern Baptist College. Interest is payable at 1% over base rate

Total interest paid to Northern Baptist College was £4,337 (2020:£3,075)

The College loans could be deemed concessionary loans

17. Pensions

At the year end the outstanding pension commitment was £4,132 (2020: £4,655)

18. Commitments under operating leases

At 31 August 2021 the company had minimum lease payments of £nil.

	Assets other than land And buildings	
	2021	2020
	£	£
Operating leases which will be paid:		
< 1 year	-	740

19. Analysis of charitable funds

Analysis of movement in unrestricted funds

	Balance 1 September 2020	Incoming resources	Resources expended	Transfers	Funds 31 August 2021
	£	£	£	£	£
General fund	99,353	706,329	(726,830)	-	78,852
Total	99,353	706,329	(726,830)	-	78,852

(Prior Year)

	Balance 1 September 2019	Incoming resources	Resources expended	Transfers	Funds 31 August 2020
	£	£	£	£	£
General fund	231,086	1,006,026	(1,176,136)	38,375	99,353
Designated bedroom improvement fund	38,375	-	-	(38,375)	-
Total	269,461	1,006,026	(1,176,136)	-	99,353

Name of unrestricted fund	Description, nature and purpose of the fund
General fund	The 'free reserves' after allowing for designated funds.
Designated fund	Designated fund for the continuing refurbishment of bedroom stock and marketing.

LUTHER KING HOUSE EDUCATIONAL TRUST

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Analysis of movement in restricted fund

	Balance 1 September 2020	Incoming resources	Resources expended	Transfers	Funds 31 August 2021
	£	£	£	£	£
Property	700,000	-	-	-	700,000
Property improvement	137,886	(137,886)	-	-	-
Total	837,886	(137,886)	-	-	700,000

(Prior Year)

	Balance 1 September 2019	Incoming resources	Resources expended	Transfers	Funds 31 August 2020
	£	£	£	£	£
Property	700,000	-	-	-	700,000
Property improvement	151,829	(13,943)	-	-	137,886
Total	851,829	(13,943)	-	-	837,886

Restricted funds represent the value of assets acquired with money given for this specific purpose including the original gift of land and buildings to the Trust.

In 2008, substantial improvements were made to the buildings. The value of these have been reduced each year by depreciation. However, the Board decided to allocate the remaining balance on the improvements from restricted to unrestricted reserves during the current year.

20. Analysis of group net assets between funds

	General Fund	Designated Fund	Restricted Fund	Total 2021
	£	£	£	£
Tangible fixed assets	640,432	-	700,000	1,340,432
Other non-current assets	5,852	-	-	5,852
Cash at bank and in hand	161,745	-	-	161,745
Other net current assets/(liabilities)	(151,677)	-	-	(151,677)
Creditors of more than one year	(577,500)	-	-	(577,500)
	78,852	-	700,000	778,852

(Prior Year)

	General Fund	Designated Fund	Restricted Fund	Total 2020
	£	£	£	£
Tangible fixed assets	560,299	-	837,886	1,398,185
Cash at bank and in hand	101,990	-	-	101,990
Other net current assets/(liabilities)	(96,686)	-	-	(96,686)
Creditors of more than one year	(466,250)	-	-	(466,250)
	99,353	-	837,886	937,239

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NOTES TO THE FINANCIAL STATEMENTS

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21. Related party transactions

Transactions between the parent and the wholly controlled trading subsidiary have not been disclosed due to the fact that the subsidiary is wholly owned. Advantage has been taken of the available exemption under Section 33 of FRS 102.

Luther King House Conference & Accommodation Services Ltd is exempt from audit by virtue of s477 of the Companies Act.

The three Colleges below are member bodies of the Trust, and have rights and responsibilities as set out in the Memorandum of Association.

The Trust made sales of £101,885 (2020: £79,875) to Northern Baptist College and at year end was owed £143 (2020: nil) by the College. Total interest paid on loans was £4,337 (2020: £9,225).

The Trust made sales of £171,763 (2020: £116,408) to Northern College and at year end was owed £nil (2020: £nil) by the College. Total interest paid on loans was £1,631 (2020: £4,519).

The Trust made sales of £nil (2020: nil) to Unitarian College and at year end was owed £nil (2020: £nil) by the College. Total interest paid on a loan was £918 (2020: £668).

22. Financial Instruments

Financial assets that are measured at amortised cost:

	2021	2020
	£	£
Trade debtors	47,280	13,157
Cash	161,745	101,990
	<u>209,025</u>	<u>115,147</u>

Financial liabilities that are measured at amortised cost:

	2021	2020
	£	£
Trade creditors	62,708	19,943
Other payables	49,130	57,236
Loans	577,500	477,500
	<u>689,338</u>	<u>554,679</u>

23. Reconciliation of net (outgoing)/incoming resources to net cash outflow from operating activities

	2021	2020
	£	£
Net incoming/(outgoing) resources	(164,240)	(184,051)
Depreciation	57,754	66,182
Investment income	-	-1
Interest payable	(3,115)	15,749
Decrease in stock	1,316	1,488
Decrease/(Increase) in debtors	(43,800)	18,329
(Decrease)/Increase in creditors	108,725	(36,361)
	<u>(43,360)</u>	<u>(118,665)</u>

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Reconciliation of net cash flow to movement in net debt

	2021 £	2020 £
Increase/(Decrease) in cash in the year	59,755	(162,813)
Cash outflow from other loans	(100,000)	18,750
Change in net debt resulting from cash flows	(40,245)	(144,063)
Movement in net debt in the period	(40,245)	(144,063)
Net debt brought forward	(375,510)	(231,447)
Net debt carried forward	(415,755)	(375,510)

24. Analysis of reconciliation of net debt

	Brought Forward £	Cash flow £	Carried Forward £
Net cash			
Cash at bank and in hand	101,990	59,755	161,745
Debt due after 1 year	(477,500)	(100,000)	(577,500)
Debt due within 1 year	-	-	-
	(477,500)	(100,000)	(577,500)
Net debt	(375,510)	(40,245)	(415,755)

LUTHER KING HOUSE EDUCATIONAL TRUST

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25. Prior Year Consolidated Statement of Financial Activities

		Unrestricted	Restricted	Total Funds	Total Funds
	Note	Funds	Funds	2020	2019
		£	£	£	£
Income:					
<i>Income from charitable activities:</i>					
Academic and housing activities	3	512,917	-	512,917	442,586
<i>Income from other trading activities:</i>					
Commercial trading operations	4	493,110	-	493,110	895,398
Investment income	5	1	-	1	-
Total income		1006,028	-	1,006,028	1,337,984
Expenditure					
<i>Costs of raising funds</i>					
Commercial trading operations		345,441	-	345,441	600,445
<i>Expenditure on charitable activities:</i>					
Academic and housing activities	6	830,695	13,943	844,638	740,859
Total expenditure		1,176,136	13,943	1,190,079	1,341,304
Net income/(expenditure) and net movement in funds for the year	9	(170,108)	(13,943)	(184,051)	(3,320)
Reconciliation of funds					
Total funds brought forward		269,461	851,829	1,121,290	1,124,610
Total funds carried forward		99,353	837,886	937,239	1,121,290

