



# ANNUAL REPORT 2020

*A year of restoring hope and transforming lives*

# TRUSTEES' REPORT

## WHO WE ARE

Established in 2005, Mercy UK is committed to restoring hope and transforming lives in partnership with local churches across the UK through the provision of a residential home for young women, people-helper training and advice, and a remote support service.

## HOW WE HELP

*"Restoring hope, transforming lives in partnership with local churches across the UK"*

Mercy UK is committed to restoring hope and transforming lives by empowering Christians to develop their relationship with God, self and others. We offer a wide range of services online and on-site to equip you with the tools to live free and stay free.

### Our services include:

- **OUR MERCY HOME** – An online and on-site, free-of-charge discipleship programme for women with life-controlling issues.
- **KEYS TO FREEDOM** - An 8-week discipleship course for group or individual study, designed to help you live free and stay free.
- **TRAINING, RESOURCES AND SPEAKING ENGAGEMENTS** - To educate, equip and empower you and your church.

## OUR AIMS AND OBJECTIVES

**The objectives of Mercy UK as set out in our Memorandum and Articles of Association are:**

*To promote the benefit of the public, in particular women and girls, by*

(a) providing relief from and support to women and girls affected by poverty, pregnancy, sickness, hardship and distress

(b) providing charitable relief (including the provision of housing or other accommodation) to women and girls in need of care by reason of their social, emotional and economic circumstances

(c) To advance the Christian religion in accordance with the statement of faith (attached as a schedule to the memorandum of association) through the gospel of the Lord Jesus Christ and the teachings of the word of God by presenting a values based curriculum or teaching programme that will better enable persons to cope with the business of life.

(d) And such other charitable purposes as the directors of the company may from time to time determine.

The Trustees have referred to the Charities Commission's general guidance on public benefit when reviewing the aims and objectives of Mercy UK and planning its activities. The Trustees are confident that Mercy UK meets the public benefit requirements.

## **STRATEGIC REPORT: OUR AIMS AND ACHIEVEMENTS**

The Truth of the Word of God is foundational to our mission and God often uses His Word to direct us in our strategies for the future. In 2020, God spoke to us from the story of Solomon who was visited by the Queen of Sheba in 1 Kings 10. In this story, Solomon's obedience led to an overflow in blessing, which resulted in observation from others, such as the Queen of Sheba, which ultimately led to a further outpouring of favour and of praise to God.

And so, 2020 was the year of 'building with plenty' - this was our statement which we held on to in faith, throughout 2020.

2020 has been a year like no other, many people faced challenges; mentally, emotionally, physically, financially, relationally. At Mercy UK, we know we are called and equipped to help people navigate the rough terrain of life. So, back in March 2020, we rolled up our sleeves and got to work.

We made over 300 well-being calls to our supporters, checking in with them, offering prayer and encouragement, and a listening ear. But we didn't stop there...

Over 450 people received weekly email support and prayer from our team as we launched online Keys to Freedom groups. But we didn't stop there...

Hundreds of people messaged us with individual prayer requests and every Monday morning we gather as a team and intercede for each and every one by name. But we didn't stop there...

We sent out over 500 'Scripture Action Cards' sets as gifts to our supporters, to help people stay anchored in the Word during difficult times. But we didn't stop there...

We trained over 475 church leaders and people-helpers by quickly adapting our existing training to be done online and even launched brand new training days, 'Equipped for Life' personal leadership day, and our 'Let's Talk About...' workshops. But we didn't stop there...

In total, over 1,500 copies of Keys to Freedom were sold or given away in 2020. That's now over 18,000 copies since its launch in 2017. But we didn't stop there...

The end of Quarter 1 saw our resident group return home and the Mercy home close in response to the Coronavirus pandemic. The Home Staff worked commendably hard to transition the programme delivery from on-site to online during this period and demonstrated exceptional agility and resilience, enabling new residents to continue to join and graduate from the programme. The adaptations to the delivery of the programme were received well by our resident group and at the end of quarter 2, our reported Satisfaction Rate was 85%, by the end of quarter 3 this had increased to 87.5%

In November 2020, the home re-opened with Covid-secure measures in place, staff re-trained and new protocols established to ensure a low-transmission risk. The new capacity of the home is now a maximum of 12, and the new layout allows for separate staff bedrooms and a quarantine or short-stay room. Savings in direct running costs were reallocated to the refurbishment of the home, which included complete refurbishments of the bedrooms and library, replacement of all carpets with hardwood flooring and replacement of fire-doors.

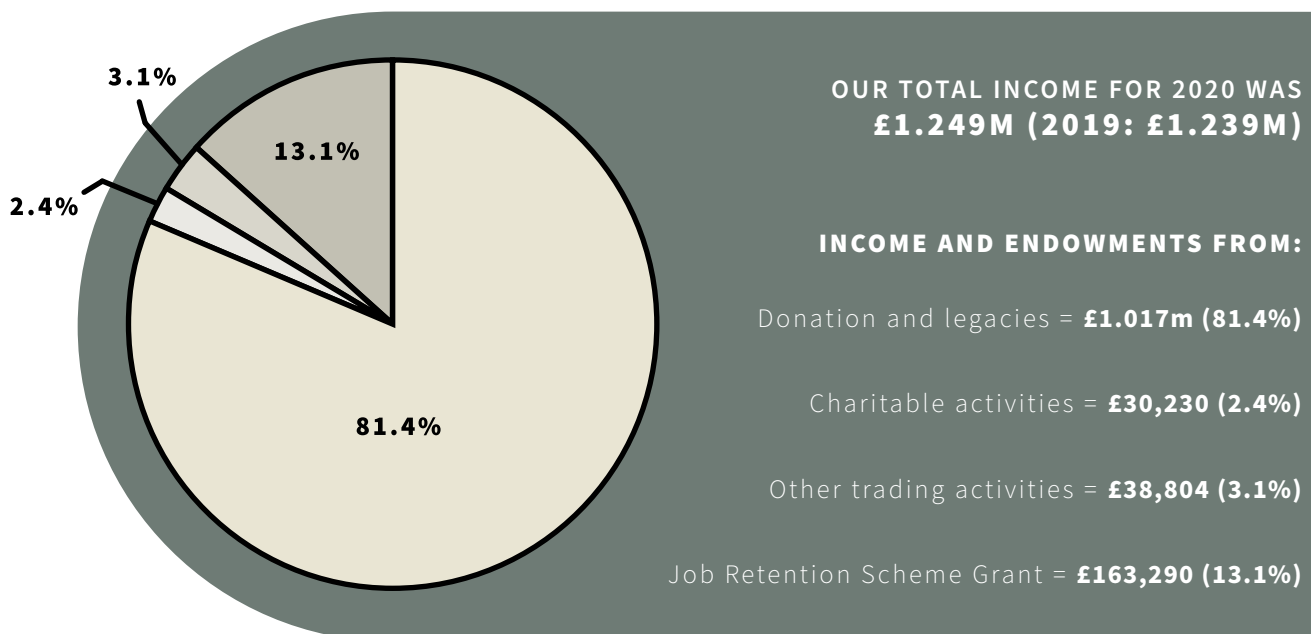
According to research carried out in 2019,\* the Mercy programme produces an estimated three-fold return on investment (£3.82 for each £1 invested) in social value added to society, and we anticipate the online elements of the programme will help produce an even greater return and open up many more opportunities to help others.

## FINANCIAL REVIEW

With 2020 promised to be a 'Year of Building with Plenty', Mercy faced not only unprecedented challenges in its finances but also unprecedented provision.

The combined performance of regular giving, direct fundraising, training, events and resources yielded £297k, 77% of the £384k forecasted to receive through the pandemic and income from grants and trusts was significantly higher than expected, mainly due to grant funding through the government-funded Coronavirus Job Retention Scheme (CJRS).

Our 2020 Christmas campaign which focussed on our residential home raised £25,691 - £10k more than forecasted, and signified the launch of our 2021 year-long campaign 'Back to the Heart, Back to the Start' which will celebrate 15 years since opening the home!



Our regular donors or 'Treasure Builders,' continue to form our most substantial and sustainable source of income. At the close of 2020, the 12-month rolling giving average was £20.48 (2019: £22.30), although this is a decrease in the monthly average overall, we did see an increase in our overall retention rate of givers of 93% (2019: 79%).

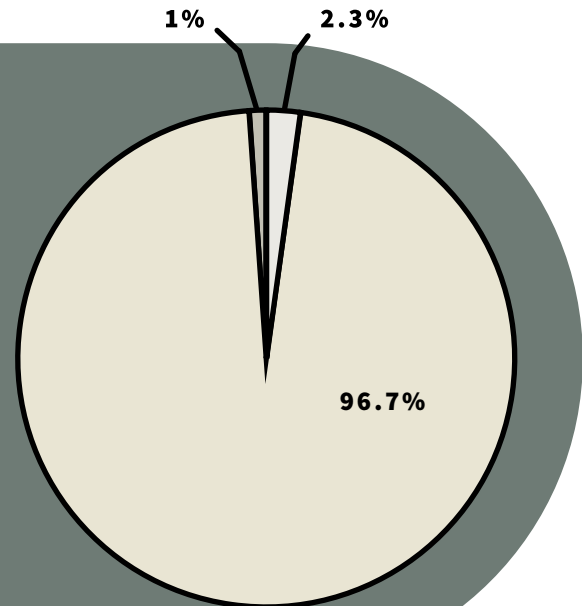
OUR TOTAL EXPENDITURE FOR 2020 WAS  
**£1.202M (2019: £1.313M)**  
AN 8% DECREASE IN SPENDING  
FROM OUR 2019 FIGURE

**EXPENDITURE:**

Raising funds = **£27,296 (2.3%)**

Charitable activities = **£1,163m (96.7%)**

Other = **£10,942 (1%)**



This means that in 2020, **93%** of our income was allocated against our charitable activities.

That's **93p** in every **£1**!

**In our approach to financial management, we continue to uphold our founding principles:**

1. Our residential Christian discipleship programme is provided completely free of charge
2. We give away at least 10% of all unrestricted donations received to other Christian ministries
3. No money is accepted from any governmental body or other source that will compromise our practice of Christian principles within the residential discipleship programme or other services provided

## **TRUSTEES' DECLARATION OF GOING CONCERN**

Whilst a number of our day-to-day business functions became limited in the wake of the Covid-19 pandemic, an investment into our IT hardware in early 2020 meant that our services could be adapted to be delivered remotely, including the residential programme. Mercy UK now enters 2021 with a streamlined organisational structure, able to continue delivering hybrid services online and in-person, with future plans to expand this.

The board and management have considered the consequences of Covid-19 and other events and conditions, and have determined that they do not create a material uncertainty that casts significant doubt upon Mercy UK's ability to continue as a going concern.

## **RESERVES POLICY**

On the 31st December 2020, our total reserves stood at £1.562m (2019: £1.515m), the majority of which are restricted funds represented by fixed assets for use by the charity which cannot be turned into cash.

The policy for reserves is to hold unrestricted funds not committed or invested in tangible assets ("the free reserves") to the total of 3 months of resources expended in addition to the known income received each month.

The year ended with unrestricted reserves of -£32,737 (2019: -£37,046). The 2020 target reserves total which represents the total of 3 months of resources expended was £86.25k.

In 2020, we were successful in replenishing our reserves. The mean reserves target level for 2021 is calculated to be £86.5k.

The Trustees have reviewed the Charity's needs for reserves in line with the guidance issued by the Charity Commission. This policy is reviewed annually.

## **RISK MANAGEMENT**

Trustees continue to utilise the STEEPLE analysis tool to assess the risks of social, technological, economic, ethical, political, legal and environmental change drivers.

In Q2, 2020, a 'Coronavirus Response & Recovery Plan' was compiled which outlined the charity's mitigation of the risks posed by Covid-19. **The plan included:**

1. A beneficiary impact assessment, outlining adjustments to support services made by Mercy UK to meet beneficiary needs in the short and long-term,
2. A phased plan to reduce salary expenditure to ensure the long-term sustainability of the charity,
3. Scenario modelling based on a 20%, 50% and 70% reduction of 'Known Income' which includes Treasure Builder income, Gift Aid and Committed Trust Fund Income,
4. Fundraising recovery streams.

**Financial sustainability** - Our ability to generate sufficient income and meet all expenditure requirements incurred by the charity, in order to fulfil our objectives to an excellent standard.

The charity receives no government funding for its work. A significant proportion of income is sourced from voluntary donations and the remainder is collected through fundraising initiatives and the sale of resources and training days.

The Trustees have reviewed the cash position of the charity and cash forecasts at the date of signing the financial statements and are satisfied that the charity will be able to meet its financial commitments. They are also satisfied that the Senior Leadership Team are seeking to diversify the charity's income streams further to reduce this risk and monitor the financial position of the charity in regular sub-committee reviews of the management accounts.

The Trustees believe the charity is well placed to manage its financial risks successfully despite the current economic climate. Due consideration has been given to key financial risks and, in line with Charity Commission guidance, a financial risk assessment has been undertaken and mitigations identified.

The Trustees have a reasonable expectation that the measures in place are adequate to continue in operational existence for the foreseeable future. As a result, the Trustees continue to adopt the going concern basis in preparing the financial statements.



**Health, safety and wellbeing of staff, volunteers and beneficiaries** - Our commitment to provide a safe environment to facilitate the health and wellbeing of staff, volunteers and beneficiaries, especially residents in our residential home.

In response to the Covid-19 pandemic and subsequent government restrictions and recommendations, a board sub-committee was established to review the health, safety and wellbeing of staff, volunteers and beneficiaries of Mercy UK in relation to infectious disease management. The sub-committee was responsible for reviewing and approving the infectious disease risk assessment, the outbreak management protocols and the implementation of new workplace practices and protocols, which included guidance for agile or 'working at home' employees.

In March 2020, our annual health & safety audit was carried out. Although analysis of this report was delayed due to Covid-19 outbreak, action was taken to replace the fire doors in the residential home and fit automatic door closers on doors to the hallways, communal areas and bedrooms, as well as in office spaces in our Cornerstone Training & Resource building.

In 2021, we intend to continue investing in the health, safety and wellbeing of our staff by offering health & safety training to our staff and residents including, but not limited to, Display Screen User training, First Aid training, Fire Marshal training, Food Hygiene, RIDDOR and COSHH. The use of PPE in designated areas will continue as a standard operating procedure.

**Safeguarding of vulnerable adults and third parties** - promoting the welfare of children and vulnerable adults with the aim of protecting them from harm.

Mercy UK's safeguarding policy is embedded in our practice and reviewed annually. We benefit from the support and advice of an organisation that specialises in safeguarding in the faith sector and continue to seek consultation in relation to any critical safeguarding concerns.

**Ethical practice** - promoting the wellbeing and empowerment of all stakeholders through ethical practices and decision-making.

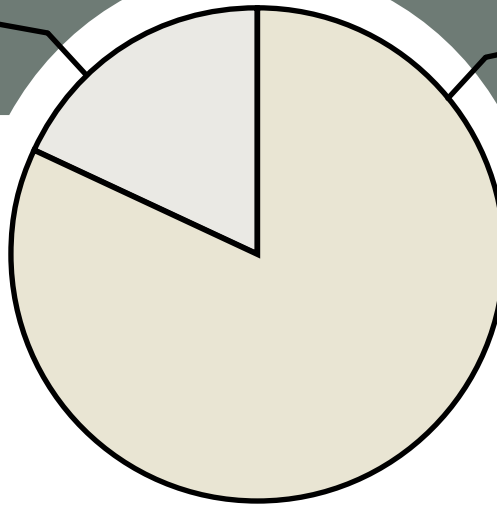
Mercy UK operates in line with an Ethical Framework which is reviewed annually. In 2021, there are plans to extend our ethical practice to include more robust ethical sourcing in our merchandise and printing supply chains.

As a means of reviewing our practice as well as the engagement and experience of our staff teams, employees of Mercy UK participate in an annual survey to identify and explore any areas of improvement in our practice. The result of our 2020 survey was encouraging.

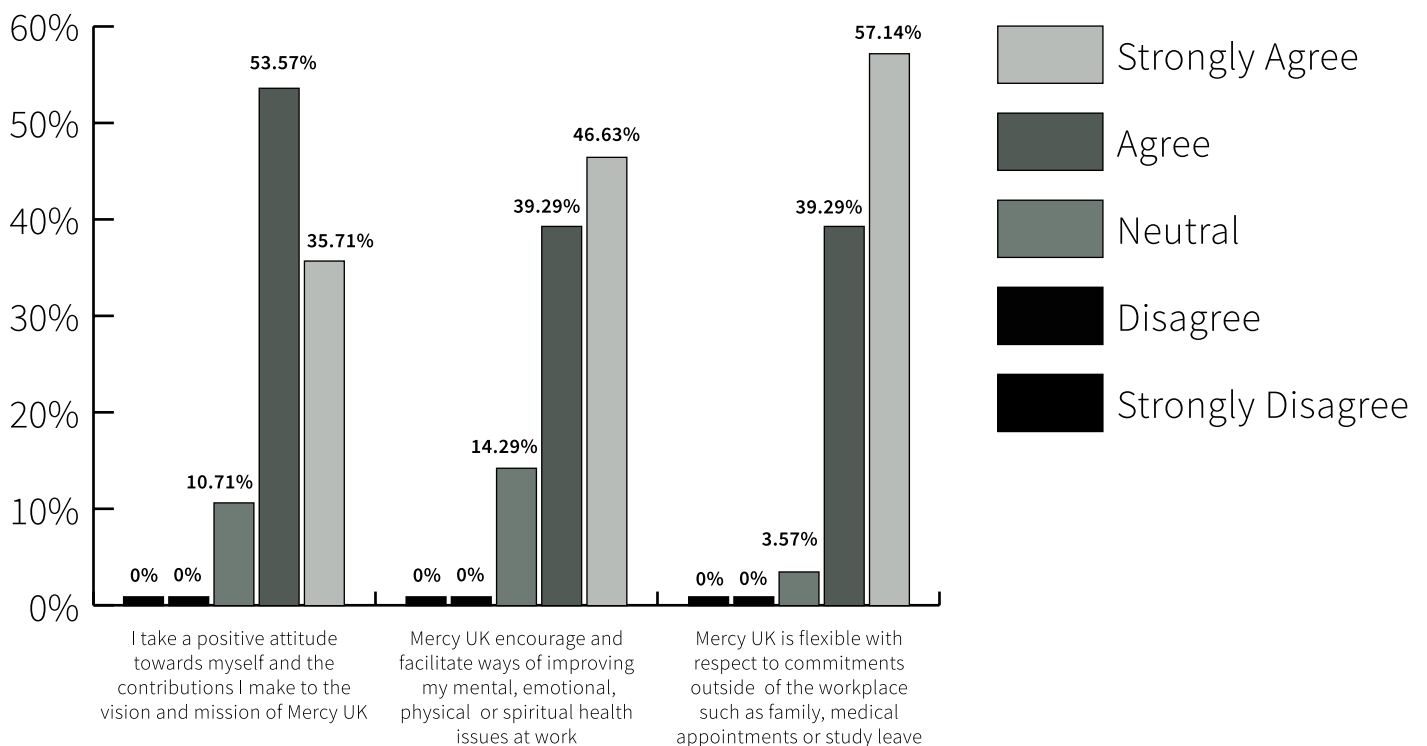
### "I FEEL PROUD TO WORK FOR MERCY UK"

**18%**  
AGREE

**82%**  
STRONGLY  
AGREE



### HOW WOULD YOU RATE THE FOLLOWING STATEMENTS:



**A RECENT GRADUATE OF THE MERCY UK PROGRAMME SHARED HER  
EXPERIENCE OF OUR RESIDENTIAL TEAM:**

*“My stay in the mercy home was far from a ‘stint of treatment’ or rehabilitation.. it was an immersion into a loving and care-giving environment, love and care that was consistent, stable and secure.*

*One of my most prominent memories of experiencing this healing love was a time I found myself hiding in a room on the top floor. Anxiety was crippling me, and caused me to flee and find the safest place I could to escape the perceived threat. This spot for me was in a study room on the top floor, in a corner that was quite closed in by furniture. I’d squeezed into a tiny space, curled up on the floor.. sobbing. My facilitator found me, I can’t remember her words, but I remember her warmth, gentleness and patience. She told me she’d be waiting in the room next door, when I felt ready to come and talk. Eventually I followed, and there she was waiting patiently. Again, I don’t remember her words, but I remember as clear as day her warmth and care. Even now, when I have a tough time or find myself in distress, the memories stored of these moments bring comfort and calm, like the day they took place.*

*In this interaction, along with the many, many more poured into my life by the staff at Mercy, I experienced the healing love and embrace of my Heavenly Father. I encountered this love through the faith-filled and love-motivated staff at Mercy UK.*

*It amazes me to this day how much those experiences have transformed my inner world to walk in the peace and freedom I’d only ever dreamt of before Mercy. Let me be clear that Mercy is not ‘the answer, a quick fix, a treatment’, it’s a place that is committed to expressing the heart of a loving God, whose redeeming love can and does transform the darkest nights.”*

## **FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Trustees confirm that no funds are being held as custodian trustees on behalf of others.

## **RESPONSIBILITIES OF THE BOARD OF TRUSTEES**

The trustees are required by company law to prepare financial statements for each financial year which give a true and fair view of the financial activities of the charity and of its financial position at the end of that year. **In preparing those financial statements the trustees are required to:**

- (a) Select suitable accounting policies and apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) State whether the policies adopted are in accordance with the Companies Act 2006 and with applicable accounting standards and statements of recommended practice, subject to any material departures disclosed and explained in the financial statements;
- (d) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **In accordance with Company Law, as the company's Directors, we certify that:**

- so far as we are aware, there is no relevant audit information of which the auditors are unaware; and,
- as the Directors of the company, we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information

## PLANS FOR FUTURE PERIODS

In order to continue building on the progress and developments made in 2020, and continuing Mercy's recovery from the impact of the COVID-19 pandemic, **the following strategic priorities will shape our activity in 2021:**

1. Expansion of digital services alongside in-person services
2. Increase income and improve fundraising return on investment
3. Embedding a culture of training and development for staff
4. Working towards publicly recognised accreditations and awards
5. Defining the scope of future digital and in-person services such as 'Freedom Centres'

# STRUCTURE, GOVERNANCE AND MANAGEMENT

## GOVERNING DOCUMENT

Mercy Ministries UK (Mercy UK) is a charitable company limited by guarantee, incorporated on 23rd February 2005 and registered as a charity on 20th September 2005. The company is governed by a Memorandum and Articles of Association which determines the objects and powers of the charitable company. In the event of the organisation being wound up, members of the charitable company guarantee to contribute an amount not exceeding £1. The total number of such guarantees at the end of 2020 was 9.

## RECRUITMENT AND APPOINTMENT OF BOARD OF TRUSTEES

The Board of Trustees at Mercy UK, who are also directors of the charity for the purpose of the Companies Act, represent a group of individuals with a wide range of experience and skills.

All Trustees give of their time voluntarily and receive no benefits from the charity. Any expenses that are claimed are shown in the notes to the accounts. Details of all the Trustees can be found in the administrative information part of this document.

Trustees are recruited on the basis of their experience for the role and the skills they might contribute in line with the objectives of the charity outlined in its Memorandum and Articles of Association.

In 2020, no new directors were appointed. One director resigned in December 2020. A new secretary to the company was appointed.

### **TRUSTEE INDUCTION AND TRAINING**

The charity has a Trustee induction pack which explains the duties of a Trustee and provides facts along with additional sources of information about the charity. New Trustees are invited to a briefing session with the chairman to familiarise themselves with the charity alongside a tour and visit to Mercy UK.

### **ORGANISATIONAL STRUCTURE AND DECISION MAKING**

The Board of Trustees at the end of 2020, consisted of nine members.

The Trustees meet four times a year to review strategy and operational or financial performance in conjunction with the charity's Chief Executive Officer and other members of the Senior Leadership Team.

The day-to-day running of Mercy UK has been delegated to the Senior Leadership team, consisting of the Director of People & Support and the Director of Operations who report to the Chief Operating Officer and who in turn, reports to the Chief Executive Officer. The Senior Leadership Team operates under the direction of the Chief Executive. The Chief Executive reports directly to the Board of Trustees both by telephone and written communication and also at the Trustee's meetings. All members of the Senior Leadership Team are present at Trustee meetings.

Key Performance Indicators are used to measure and review performance against the strategic plan with regular meetings ensuring that corrective action is taken where needed. Monthly management accounts are also used to monitor financial performance.

In 2020, the practice of holding sub-committees continued, which allows for more strategic discussion and decision-making into key areas of risk.

Mercy UK is affiliated to Mercy Multiplied International (MMI). The President and Founder of MMI is Nancy Alcorn. In addition to reporting to the Trustees, the Chief Executive and Chief Operating Officer also report on a monthly and quarterly basis respectively, by written communication and telephone to MMI.

# REFERENCE AND ADMINISTRATIVE LEAVE

## COMPANY INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2019

### **DIRECTORS AND TRUSTEES:**

Helen Edwards – Chairman (*appointed 25/04/2019*)  
Juliet Mayhew (*appointed 23/10/2014*)  
William Van Der Hart (*resigned 02/12/2020*)  
Dr. Rob Waller (*appointed 24/10/2018*)  
Llyn Morrow (MMI) (*appointed 25/04/2019*)  
Warrick McCullough (*appointed 25/04/2019*)  
Phil Allen (*appointed 25/04/2019*)  
Debbie Wattis (*appointed 25/04/2019*)  
Eric Camp (*appointed 25/11/2019*)  
Ali Camp (*appointed 25/11/2019*)

### **SECRETARY:**

Debbie Harvie (*appointed 29/01/2020*)

### **CHIEF EXECUTIVE:**

Arianna Walker

**REGISTERED OFFICE:**

Cragg Royd  
Lowertown  
Oxenhope  
BD22 9JE

**BANK:**

Santander Bank  
Bridle Road  
Bootle  
Merseyside  
GIR OAA

**AUDITOR:**

Torevell Dent (Audit) LLP  
Chartered Certified Accountants  
Centre of Excellence  
Hope Park  
Trevor Foster Way  
Bradford  
BD5 8HH

**COMPANY NUMBER:**

5373315

**CHARITY NUMBER:**

1111377

**OTHER NAMES USED:**

Mercy UK



# STATEMENT OF TRUSTEE RESPONSIBILITIES

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

The law applicable to charities in England and Wales requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that year.

**In preparing these accounts, the Trustees are required to:**

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice Accounting and Reporting by Charities, issued in March 2005;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each trustee has taken all the steps that ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## **AUDITORS**

The auditors, Torevell Dent (Audit) LLP, were re-appointed as the charitable company's auditors during this year and have expressed their willingness to continue in that capacity.

**This report was approved by the Board of Trustees on 7th June 2021 and signed on its behalf by:**

Helen Edwards

***Chair of Trustees***

# AUDITOR'S REPORT

## MERCY MINISTRIES UK

### Report of the Independent Auditors to the Members of Mercy Ministries UK For the year ended 31 December 2020

#### OPINION

We have audited the financial statements of Mercy Ministries UK for the year ended 31st December 2020. The reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members as a body, in accordance with Section 144 of the Charities Act 2011 made under Section 154 of the Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its incoming resources and application of reserves including its income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the requirements of the Charities Act 2011.

**MERCY MINISTRIES UK**  
**Report of the Independent Auditors to the Members of Mercy Ministries UK**  
**For the year ended 31 December 2020**

**RESPONSIBILITIES OF TRUSTEES**

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purpose of company law) 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 has no realistic alternative to do so.

The trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly, we have been appointed as auditors under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act.

**BASIS OF 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 charitable company 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.

**MERCY MINISTRIES UK**  
**Report of the Independent Auditors to the Members of Mercy Ministries UK**  
**For the year ended 31 December 2020**

**CONCLUSIONS RELATING TO GOING CONCERN**

In auditing the financial statements, we have concluded that the trustee'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 trustees with respect to going concern are described in the relevant sections of this report.

**OTHER INFORMATION**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our audit report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**MERCY MINISTRIES UK**  
**Report of the Independent Auditors to the Members of Mercy Ministries UK**  
**For the year ended 31 December 2020**

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluation, whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

- The information given in the trustees' annual report is inconsistent in any material respect with the financial statements; or
- The charitable company has not kept adequate accounting records and returns; or
- The financial statements are not in agreement with accounting records and returns; or
- We have not received all the information we require for our audit.

**Samantha Sutcliffe F.C.C.A. (Senior Statutory Auditor)**

For and on behalf of Torevell Dent (Audit) LLP  
Chartered Certified Accountants  
Statutory Auditor  
1-3 St Ann's Place  
Pellon Lane  
Halifax  
HX1 5RB

Date.....

TOREVELL DENT (AUDIT) LLP IS ELIGIBLE TO ACT AS AUDITOR IN TERMS OF SECTION 121 OF THE COMPANIES ACT 2006.

# STATEMENT OF FINANCIAL ACTIVITIES

## MERCY MINISTRIES UK

### Statement of Financial Activities

Summary Income and Expenditure Account for the year ended 31st December 2020

	<u>Notes</u>	<u>Unrestricted Funds</u>	<u>Restricted Funds</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>Income and endowments from:</b>					
Donations and legacies	4	326,492	690,919	1,017,411	1,080,111
Charitable activities		30,230	-	30,230	87,999
Other trading activities		38,804	-	38,804	71,156
JRS Grants		163,290	-	163,290	-
<b>Total income</b>		<b>558,816</b>	<b>690,919</b>	<b>1,249,735</b>	<b>1,239,266</b>
<b>Expenditure on:</b>					
Raising funds		23,474	3,822	27,296	83,008
Charitable activities	5	520,091	643,842	1,163,933	1,203,319
Other		10,942	-	10,942	26,606
<b>Total expenditure</b>		<b>554,507</b>	<b>647,664</b>	<b>1,202,171</b>	<b>1,312,933</b>
<b>Net income/(expenditure)</b>		<b>4,309</b>	<b>43,255</b>	<b>47,564</b>	<b>(73,667)</b>
Transfer between funds		-	-	-	-
<b>Total funds brought forward</b>		<b>(37,046)</b>	<b>1,551,297</b>	<b>1,514,251</b>	<b>1,587,918</b>
<b>Total funds carried forward</b>		<b>(32,737)</b>	<b>1,594,552</b>	<b>1,561,815</b>	<b>1,514,251</b>

The statement of financial activities includes all gains and losses in the year. All incoming sources and resources expended derived from continuing activities.

THE NOTES ON PAGES 26-30 FORM PART OF THESE FINANCIAL STATEMENTS

# BALANCE SHEET

## MERCY MINISTRIES UK

### Balance Sheet

For the year ended 31st December 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Fixed assets</b>	<b>6</b>	1,509,279	1,551,718
<b>Current Assets</b>			
Stock		7,388	14,548
Debtors & prepayments	<b>7</b>	8,205	3,672
Cash at bank and in hand		<u>603,471</u>	<u>486,412</u>
		619,064	504,632
<b>Creditors: amounts due within one year</b>	<b>8</b>	<u>(566,528)</u>	<u>(542,099)</u>
Net Current Assets		52,536	(37,467)
<b>Total net assets</b>		<u><b>1,561,815</b></u>	<u><b>1,514,251</b></u>
<b>Reserves</b>			
Unrestricted funds	<b>10</b>	(32,737)	(37,046)
Restricted funds	<b>10</b>	1,594,552	1,551,297
<b>Total funds</b>		<u><b>1,561,815</b></u>	<u><b>1,514,251</b></u>

The financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies and with the Charities SORP (FRS102) (effective January 2015)

Approved by the board of directors and trustees on ..... and signed on its behalf by:

Helen Edwards

**Director and Trustee**

THE NOTES ON PAGES 26-30 FORM PART OF THESE FINANCIAL STATEMENTS



# NOTES TO THE FINANCIAL STATEMENTS

## **MERCY MINISTRIES UK**

**Notes to the Financial Statements** - for the year ended 31st December 2020

### **1: ACCOUNTING POLICIES**

#### **BASIS OF PREPARATION OF ACCOUNTS**

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. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

#### **PREPARATION OF THE ACCOUNTS ON A GOING CONCERN BASIS**

The assessment of the charity is a going concern.

The Covid-19 pandemic affected the Charity's ability to continue delivering its training and speaking engagements, a significant income stream for the organisation. However, due to robust measures and excellence governance, the Trustees and the Management Team were able to quickly adapt to the change in circumstances. Cashflow forecasts were adjusted to reflect the uncertainties and the short term and long-term objectives of the Charity were reconsidered.

Many of the services have been adapted to be able to be delivered remotely to protect income streams and an in-depth review of expenditure has led to measures being implemented to reduce any expenditure considered to be non-essential to meet the short- and medium-term objectives of the Charity.

Since the balance sheet date despite the pandemic, the level of monthly regular giving has continued without any significant loss. Whilst plans are in place to attract new donors, the conservative assumption for the forecasts is that giving will continue at the 2020 level.

Furthermore, the terms of repayment of the loan from Goshen Trust have been extended beyond twelve months and the high-level donations have been received in advance in 2020 and are also committed for 2021.

Cashflow forecasts including consideration of the reserves of the Charity show positive cashflows for the foreseeable future.

## **INCOMING RESOURCES**

**Income is recognised and included in the accounts when all the following criteria are met:**

- The Charity has entitlement to the funds;
- There is sufficient certainty that receipt of the income is considered probable; and
- The amount can be measured reliably.

**For legacies, entitlement is taken as the earlier of:**

- The date on which the charity is aware that probate has been granted
- The estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made; or
- When a distribution is received from the estate.

## **DONATED SERVICES AND FACILITIES**

Donated services and facilities are recognised as income when the Charity has control over the item, and conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. On receipt, donated services and facilities are recognised based on the value of the gift to the Charity which is the amount the Charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market: a corresponding amount is then recognised in expenditure in the period of receipt.

## FUND ACCOUNTING

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

## EXPENDITURE AND IRRECOVERABLE VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required, and the amount of the obligation can be measured reliably. **Expenditure is classified under the following activity headings:**

- Costs of raising funds
- Expenditure on charitable activities

Expenditure which is directly attributable to specific activities has been included in these cost categories. Where costs are attributable to more than one activity, they have been apportioned across the cost categories on a basis consistent with the use of these resources.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

## TANGIBLE FIXED ASSETS

**Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost over their expected useful economic lives as follows:**

COMPUTER EQUIPMENT:	33% on a reducing balance basis
MOTOR VEHICLES:	25% on a reducing balance basis
FURNITURE AND EQUIPMENT:	25% on a reducing balance basis
FREEHOLD PROPERTY:	4% on a straight line basis

## STOCK

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

## HIRE PURCHASE AND LEASING COMMITMENTS

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the income and expenditure account over the relevant period. The capital element of the future payments is treated as a liability.

## 2: STAFF SALARIES AND NATIONAL INSURANCE

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>£</b>	<b>£</b>
Salaries and wages	785,799	784,491
Social security costs	<u>59,146</u>	<u>60,652</u>
	<b><u>844,945</u></b>	<b><u>845,143</u></b>

The average weekly number of staff employed, calculated as full-time equivalents during the year was 31 (2019:32). No remuneration or expenses were paid to any of the trustees during the year. No employee received remuneration of £60,000 per annum or more.

## 3: NET INCOME

<b>Net income is stated after charging:</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>£</b>	<b>£</b>
Depreciation	93,867	81,917
Audit fee	3,540	3,540

#### 4: INCOME FROM DONATIONS AND LEGACIES

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>£</b>	<b>£</b>
Regular giving	197,173	220,419
Restricted fund donations	690,919	638,885
Donations	51,581	128,447
Grants received from Trusts	37,700	45,750
Gift Aid received	<u>40,038</u>	<u>46,610</u>
	<b><u>1,017,411</u></b>	<b><u>1,080,111</u></b>

#### 5: EXPENDITURE ON CHARITABLE ACTIVITIES

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>£</b>	<b>£</b>
International Affiliation fees	17,192	24,016
Staff costs and National Insurance	844,945	845,143
Recruiting and training	30,459	14,320
Premises costs	55,062	43,465
Residential programme activity costs	23,359	37,075
Administration costs	47,230	76,070
Motor and travel costs	8,778	24,098
Tithes	39,060	53,367
Depreciation and loss on sale of assets	93,867	81,917
Finance costs	441	308
Audit fee	3,540	3,540
	<b><u>1,163,933</u></b>	<b><u>1,203,319</u></b>

#### TITHES

It is a founding principle of Mercy UK to give away at least 10% of all unrestricted income to organisations and individuals that are involved in or do work that is in alignment with our vision. Donations made this year include gifts to former residents and individuals on mission trips, churches and other ministry organisations.

## 6: TANGIBLE FIXED ASSETS

	Freehold Property £	Computer Equipment £	Furniture & Equipment £	Totals £
<b><u>Cost</u></b>				
At 1st January 2020	1,876,399	57,240	30,501	1,964,140
Additions	-	30,900	20,528	51,428
Disposals at cost	-	-	-	-
<b>At 31st December 2020</b>	<b>1,876,399</b>	<b>88,140</b>	<b>51,029</b>	<b>2,015,568</b>
<b><u>Depreciation</u></b>				
At 1st January 2020	336,406	51,841	24,175	412,422
Charge for period	75,056	12,098	6,713	93,867
Elim on disposal	-	-	-	-
<b>At 31st December 2020</b>	<b>411,462</b>	<b>63,939</b>	<b>30,888</b>	<b>506,289</b>
<b><u>Net Book Value</u></b>				
<b>At 31 December 2020</b>	<b>1,464,937</b>	<b>24,201</b>	<b>20,141</b>	<b>1,509,279</b>
At 31 December 2019	1,539,993	5,399	6,326	1,551,718

## 7: DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2020</u> £	<u>2019</u> £
Prepayments	8,198	3,672
Debtors	7	-
	<u>8,205</u>	<u>3,672</u>

## 8: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2020</u>	<u>2019</u>
	£	£
Trade creditors	14,420	13,991
Social Security	18,240	16,199
Accruals	489,868	436,909
Loan	44,000	75,000
	<u>566,528</u>	<u>542,099</u>

## 9: OPERATING LEASE RENTALS

	<u>2020</u>	<u>2019</u>
	£	£
Annual operating lease rentals on equipment	<u>4,166</u>	<u>4,096</u>

## 10: ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Totals
	£	£	£
Tangible fixed assets	-	1,509,279	1,509,279
Current assets	125,184	493,880	619,064
Current liabilities	(157,921)	(408,607)	(566,528)
Transfer between funds	-	-	-
Net assets 31st December 2020	<u>(32,737)</u>	<u>1,594,552</u>	<u>1,561,815</u>

## 11: APB ETHICAL STANDARDS

In common with many other charities of our size and nature we use our auditors to prepare accounts and submit returns to the tax authorities. Payment for non-audit services totalled £825 (2019: £825).

## MERCY MINISTRIES UK

### Trading and Profit and Loss Account

For the year ended 31st December 2020

	2020		2019	
	£	£	£	£
<b>Turnover</b>				
Regular giving		197,173		220,419
Donations		780,200		813,082
Merchandise sales		26,018		65,749
Other income		12,786		5,408
Gift Aid		40,038		46,610
Fundraising		30,230		87,998
		<u>1,086,445</u>		<u>1,239,266</u>
<b>Cost of sales</b>				
Fundraising events and merchandise costs	27,296		83,008	
		<u>1,059,149</u>		<u>1,156,258</u>
<b>Gross Profit</b>				
<b>Other Income</b>				
JRS Government Grants	163,290			
		<u>163,290</u>		
<b>Expenditure</b>				
Rates and water	4,951		6,379	
Insurance	7,102		6,335	
Light and heat	10,639		13,736	
Property maintenance	32,370		17,015	
Wages and National Insurance	844,945		845,143	
Telephone	4,444		5,358	
Printing and stationery	4,648		5,672	
Postage	8,462		7,416	
Travel and accommodation	4,612		18,350	
Training	5,378		4,446	
Corporate Service team costs	25,081		9,874	
Project motor costs	7,466		9,674	
Leasing costs	4,166		4,096	



## MERCY MINISTRIES UK

### Trading and Profit and Loss Account

For the year ended 31st December 2020

International affiliation fees	17,192	24,016
Professional, consultancy and audit fees	8,553	39,551
Resident recreation and resource costs	1,036	2,526
Charity shop expenses	10,942	26,606
<b>Carried forward</b>	<b>1,001,987</b>	<b>1,222,439</b>
	<b>1,046,193</b>	<b>1,156,258</b>

This page does not form part of the statutory financial statements

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## MERCY MINISTRIES UK

### Trading and Profit and Loss Account

For the year ended 31st December 2020

	2020		2019	
	£	£	£	£
Brought forward	<b>1,001,987</b>	<b>1,222,439</b>	<b>1,046,193</b>	<b>1,156,258</b>
Project food costs	7,691		25,134	
Website costs	505		550	
Programme non food costs	7,166		5,489	
Subscriptions	5,673		3,703	
IT costs	15,697		11,882	
Tithes	39,060		53,367	
Sundry expenses	2,788		1,382	
		<b>1,080,567</b>		<b>1,147,700</b>
		<b>141,872</b>		<b>8,558</b>
Finance costs				
Bank charges	441		308	
		<b>441</b>		<b>308</b>
		<b>141,431</b>		<b>8,250</b>
Depreciation				
Freehold property	75,056		75,055	
Furniture and equipment	6,713		2,108	
Computer equipment	12,098		4,754	
		<b>93,867</b>		<b>81,917</b>
Net (Expenses)		<b>47,564</b>		<b>(73,667)</b>

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