



TRUSTEES' ANNUAL REPORTS & ACCOUNTS 2019

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OBJECTIVES AND ACTIVITIES

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 onsite to equip you with the tools to live free and stay free.

OUR SERVICES INCLUDE:

Our Mercy Home. An online and onsite, 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.

ACHIEVEMENTS AND PERFORMANCE

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 2019, God spoke to us once again from Isaiah 54, a scripture He has used many times to reveal His heart for Mercy UK:

"Enlarge the place of your tent, stretch your tent curtains wide, do not hold back; lengthen your cords, strengthen your stakes.

For you will spread out to the right and to the left; your descendants will dispossess nations and settle in their desolate cities."

2019 was the year we spread out 'to the right and to the left', as we saw partners in Europe come forward and take the work of Mercy into their home countries. The cry of the Church in Europe has been heard and our European partners began working on translating Keys to Freedom into Dutch, Danish and German, with more and more countries joining the Keys to Freedom movement to bring discipleship and deep healing to the people of God.

In order to lend strength to our partners, a governing entity separate to Mercy UK was established called 'Mercy Beyond', whose sole purpose is to continue to facilitate and oversee the developments of the Mercy brand - its resources and services, outside of the UK.

Mercy UK also stretched out into Northern Ireland and in 2019, began starting the search for a property that will allow us to deliver our services from Northern Ireland. As we venture into 2020 and beyond, we continue to plan and prepare for these new endeavours.

EDUCATE



TOTAL OF 62 EVENTS IN 2019:

- **15** x Keys To Freedom Events
- **10** x Mpower Events
- **28** x Speaking Engagements
- **9** x Conferences

In 2019, our Partnerships team travelled an estimated 35,000 miles to educate, equip and empower the local church in restoring hope and transforming lives. That's nearly one and a half times around the earth!

Through our Keys to Freedom facilitator training and MPower people-helper training days, a total of 858 people were trained in discipling and supporting others!



"KEYS TO FREEDOM AND THE LORD BRING HEALING, PRAISE THE LORD. THANK YOU, I WILL CONTINUE TO PROMOTE THE KEYS TO FREEDOM COURSE"

EQUIP

TELL HER SHE IS LOOKING IN THE WRONG MIRROR.

In 2019, we launched the revised edition of 'Mirror Image' which now includes a new chapter on social media, hand-drawn illustrations and a number of useful tools and tips to promote Godly self-image. We also released two sets of devotional cards; our 'Reflections' cards, which accompany Mirror Image, and our 'Scripture Action Cards', which complement Keys to Freedom and are designed to support you in outworking your faith within the context of your relationship with God.

In total, over 3,300 copies of Keys to Freedom were sold or given away in 2019. That's another 3,300 people encountering the life-transforming power of God in their lives!

"AFTER 40+ YEARS AS A SPIRIT-FILLED, BIBLE-BELIEVING CHRISTIAN, I BELIEVE THIS IS THE START OF SOMETHING LONG, LONG OVERDUE!"

– Keys to Freedom Participant

Our donated Keys to Freedom also reached Gulu in Uganda and is supporting the work of Christine's House:



"Christine's House is a safe house for severely abused, pregnant teenage girls, aged 13-16. I have volunteered here for 5 years, seeing over 114 healthy babies delivered safely and young mums set free from trauma. They receive love, prayer, counselling, discipleship, education and are given the chance to generate life and work skills - so like Mercy in many ways. Thank you so much for donating your resources."



£45k TOTAL
RESOURCE
SALES

47% OF OUR
ONLINE SALES
ARE KEYS TO
FREEDOM
ORDERS

In 2019, we also completed our work to reach out to UK prisons by releasing an 'Unlocked' edition of Keys to Freedom into the hands of 116 prison chaplains. The 'Unlocked' edition of Keys to Freedom is written with a lower comprehension age and is perfect-bound as 8 separate booklets for use within secure or community outreach settings.

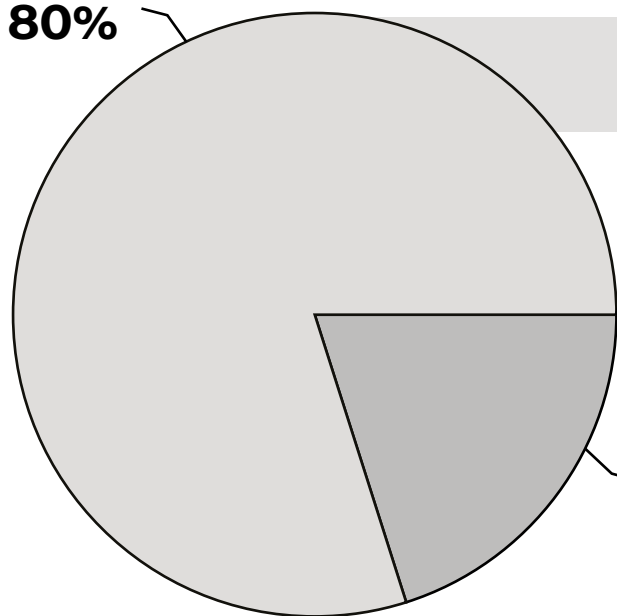
EMPOWER

Our Residential Home in Bradford, West Yorkshire, offers a 6-month, free-of-charge discipleship programme for young women aged 18 to around 30 years old. In 2019, we celebrated 11 more graduations through the residential home for young women aged 18 to around 30, all of whom have faced life-controlling issues such as self-harm, eating disorders or effects of abuse in all its forms.

Every one of our 11 graduates in 2019 say that they would recommend the Mercy UK residential home to others and our Exit Surveys for 2019 shows the amazing impact and the effectiveness of the Mercy UK residential programme, thanks to your help!

STRONGLY AGREE -

80%



"I AM CONFIDENT THAT THE TOOLS I HAVE LEARNT ON THE PROGRAMME WILL SUPPORT ME IN WALKING OUT MY FREEDOM"

AGREE -
20%

STRONGLY AGREE -
88.89%

NOT SURE - 0%
DISAGREE - 0%
STRONGLY DISAGREE - 0%
NOT APPLICABLE - 0%

AGREE -
11.11%

"THROUGH MY TIME AT MERCY UK, MY HOPE HAS BEEN RESTORED AND MY LIFE TRANSFORMED"

EMPOWER

It costs Mercy UK a minimum of £2,500 per month, per resident, which covers the costs of resources, salary costs, living costs and outings. The home provides safety, stability, structure and support to educate, equip and empower residents to make changes in their lives towards their God-given freedom.

This is only made possible through the Grace of God and the financial partnership of our Treasure Builders.

"I DON'T THINK I COULD THANK YOU ENOUGH FOR THE PRAYER AND THE FINANCIAL PROVISION THAT SUPPORTERS OFFER MERCY UK, IT REALLY IS JUST ABSOLUTELY AMAZING. WITHOUT YOUR SUPPORT, MERCY WOULD NOT BE ABLE TO RUN EFFECTIVELY AND I WOULD NOT HAVE HAD THE OPPORTUNITY TO EXPERIENCE GOD'S, LOVE, GRACE AND MERCY.

I HAVE SEEN DRAMATIC HEALING AND TRANSFORMATION IN MY LIFE, MY HOPE HAS BEEN RESTORED AND I HAVE HEALTHY RELATIONSHIPS WITH GOD, JESUS AND THE HOLY SPIRIT. ME AND MY LITTLE GIRLS NOW HAVE HOPE FOR A GREAT FUTURE. THANK YOU, SO, SO MUCH."

- 2019 GRADUATE



A YEAR WHERE LOOKING FORWARD MEANT LOOKING BACK

The percentage of women who felt confident 'recognising the voice of God' has increased from 1 percent to 73 percent.

"I learned about the powerful ways in which the Holy Spirit moves for the first time. I learnt to hear him speak directly to me and I learnt to rely on him. My time at Mercy UK was foundational to my faith journey."

85 % of graduates believe Mercy UK was a main or significant cause behind these changes.

The percentage of women who felt they were 'worthy as people' increased from 3 percent to 80 percent.

Mercy UK "helped me identify the lies and replace them with God's truth. They showed me who I truly am."

63% of respondents believed that they would be dead if they hadn't attended Mercy UK.

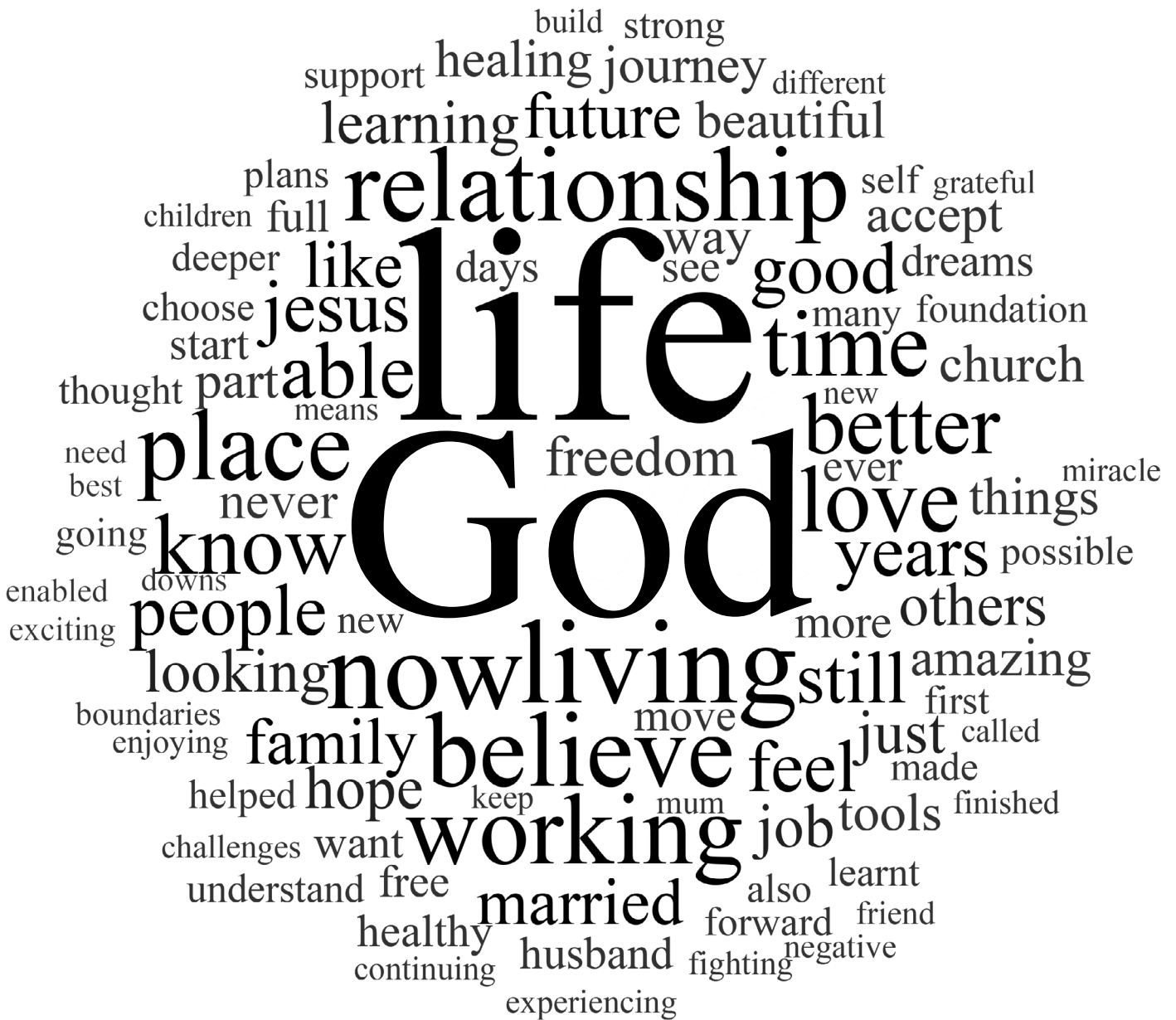
At the end of 2019, we completed a retrospective impact survey in partnership with Eido Research. The research, which was released early 2020, was built on an in-depth analysis of a thorough data collection process with a graduate response rate of 82%. Through the research, we heard about how, for many women, their relationship with faith was completely transformed, some coming to see God as loving and kind for the first time in their lives. We heard what an effect this had on how the women related to themselves, with most reporting a significant improvement in their self-esteem and self-compassion, and these effects continuing to increase, albeit at a slower pace, since graduation.

Lastly, we heard about how their time at Mercy UK had completely altered many women's ability to relate to others, particularly in identifying and asserting healthy boundaries, and, on the whole, of the positive knock-on effect this had on the rest of their lives.

This positive effect was by no means limited to their own lives; the support Mercy UK gives each woman and the women's response to it means that the estimated financial value to government and society in areas like reduced spending on healthcare, policing, and employment issues is almost £470,919 per fifteen graduates or for that same group of graduates over five years after graduation, is £2,205,536.

The home produces an estimated three-fold return on investment (£3.82 for each £1 invested) in social value added to society.

IN DIRECT CONTRAST TO THE PREVIOUS QUESTION, THE RESEARCH TEAM ASKED EACH GRADUATE TO DESCRIBE THEIR LIFE NOW, BECAUSE THEY ATTENDED MERCY UK.



"THEY HELD FAST TO GOD – NEVER LOOSENING THEIR GRIP – AND OBEYED EVERYTHING GOD HAD COMMANDED. AND GOD, FOR HIS PART, HELD FAST TO THEM THROUGH ALL THEIR ADVENTURES."

(2 KINGS 18:6)



RIDE THE JOURNEY

2019 was a year of reaching new heights for Mercy UK. It was a year of climbing mountains and navigating valleys, and it was also a year where we held fast to everything God had commanded us.

Our main fundraising campaign of 2019 was of course, our 'Ride the Journey' challenge and paralleled the freedom journey that many of residents and Keys to Freedom participants take.

For an average of 6 hours a day, on horseback and on foot, our CEO Arianna Walker and a small team, navigated the rough terrain of a mountain pass over 15,000 feet above sea level and through a historic section of the Inca Trail in Peru. She did all this with a knee injury, knowing full well that when our residents and participants navigate their own rough terrain, they do so already broken or enduring injury from the past. Arianna and the team completed the challenge and the campaign raised:

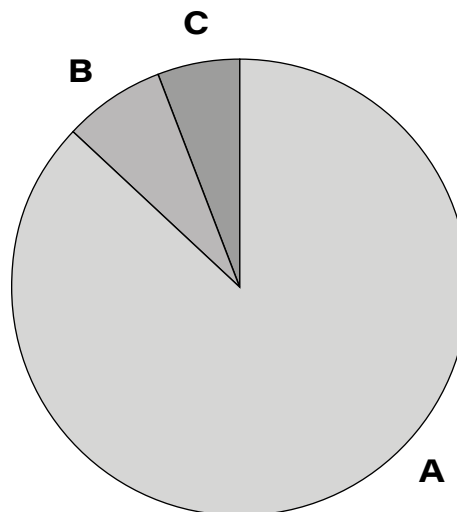
£74,886!

FINANCIAL REVIEW

Our total income for 2019 was **£1.239m**

Income and endowments from:

- (A) Donation and legacies = £1,080,111
- (B) Charitable activities = £87,999
- (C) Other trading activities = £71,156



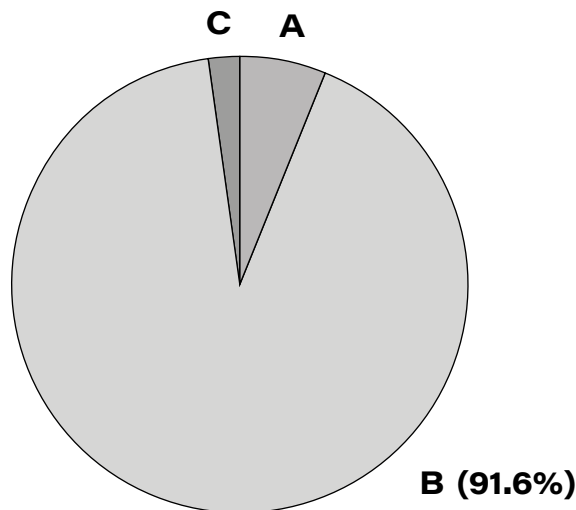
Whilst our overall income shows a 3.8% decrease from 2018, an increase was seen in our income from charitable activities which was up by 3% from **£85,420** in 2018.

Our regular donors or 'Treasure Builders' continue to form our most substantial and sustainable source of income. In 2019, the monthly giving average was **£14,333** with a retention rate of 79% (or an average of **£22.70** per giver per month)

Our total expenditure for 2019 was **£1.313m**, a 1.1% decrease from our 2018 figure.

Expenditure:

- (A) Raising funds = £83,008
- (B) Charitable activities = £1,203,319
- (C) Other = £26,606



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.

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.

In line with our charitable objectives, a number of short-term and long-term adjustments were immediately made in order to meet the increased support needs of our beneficiaries and partners during the Covid-19 pandemic.

At present, our end of year forecast shows positive cashflow and we have received confirmation of committed grants beyond 12 months lending to a declaration of going concern.

RESERVES POLICY

On the 31st December 2019, our total reserves stood at £1.515m (2018: £1.588m), 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 -£37,046 (2018: £48,955). The 2019 target reserves total which represents the total of 3 months of resources expended was £60,750. A priority for 2020 therefore, is to replenish reserves in order to meet this target, as determined by our reserves policy.

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

In 2019, the Trustees introduced the use of a STEEPLE analysis to assess the risks of change drivers i.e. social, technological, economic, ethical, political, legal and environmental drivers.

This analysis is reviewed at each board meeting wherein a lead Trustee and lead Executive are nominated to mitigate and manage any emerging risks to the charity posed by the above change drivers.

Financial sustainability - ability to generate sufficient income and meet all expenditure requirements incurred by the charity in order to fulfil its 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 Fundraising & Communications team are continually seeking new ways to raise awareness and financial support and our Partnerships team also work closely with partner churches, delivering training days and speaking engagements as a key source of revenue.

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 Management Team are seeking to diversify the charity's income streams further to reduce this risk

The Trustees believe the charity is well placed to manage its financial risks successfully despite the current economic climate. 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 - provision of a safe environment to facilitate the health and wellbeing of staff, volunteers and beneficiaries, especially residents in our residential home.

We undertake an external audit of our Health & Safety compliance on an annual basis, and work to implement the recommendations of that audit over the course of the following year. In 2018, we extended the scope of the annual external audit to include a Fire Risk Assessment of all our buildings. All staff have access to a rolling programme of Health & Safety training.

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

We have a safeguarding policy, which is embedded in our practices and reviewed periodically. We benefit from the support and advice of an organisation that specialises in safeguarding in the faith sector.

In 2019, staff received training in mental health first aid as well as training in the area of recognising spiritual control and abuse. Furthermore, the national mental health awareness day saw staff engage in workshops on promoting mental, emotional and spiritual health and wellbeing.

In 2020, a review of our policy on promoting mental, emotional and spiritual wellbeing in the workplace and of our employees' Wellness Action Plans will include safeguarding staff and beneficiaries from health risks such as Covid-19. Measures will also be in place which promote and facilitate health and hygiene in the workplace.

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

In 2019, staff received training and coaching from an organisation which specialise in improving communication and relational dynamics. Staff had the opportunity to understand their own way of being and that of others. This supports the ethical working practices and morale of staff and in turn, improves the communication and services received by our beneficiaries.

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.

INVESTMENT

Under the Memorandum and Articles of Association, the charity has the power to make any investment which the Trustees see fit. The Trustees have considered the most appropriate policy for investing funds so as to maximise interest on funds available.

PLANS FOR FUTURE PERIODS

Mercy UK has taken unprecedented measures to serve and support our service-users, beneficiaries and supporters. Many of our services are now being delivered remotely in response to increased demand.

Whilst Covid-19 has forced the adaptations to our services in response to these unprecedented times, there was already an existing demand to adapt our services so that we may deliver our services on every available platform for the young women, and others, we are supporting.

Key priorities for future periods include investing in the online delivery of our Mercy programme for young women. This means that the Mercy programme can be delivered online and onsite to an increased number of service users with fewer resources and immediately rules out any need for a 'waiting list', as applicants to the home may commence the online programme immediately upon acceptance. Metrics to measure the performance of this adaptation are in review.

OTHER PRIORITIES FOR FUTURE PERIODS INCLUDE:

- Re-opening our free-of-charge residential home for young women aged 18 to around 30 years of age, with 'life-controlling' issues.
- Implementing our internal systems strategy including the implementation of a CRM database.
- Designing and delivering online and digitised support services and resources alongside our existing services.

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 2019 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. Furthermore, the Trustees of Mercy UK are committed to exploring new Trustees, who are able to bring skills to the board not present among its current members.

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 in line with the objectives of the charity outlined in its Memorandum and Articles of Association.

In 2019, we welcomed Helen Edwards as the new Chair of the Board.

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 Chair of the Board to familiarise themselves with the charity alongside a tour and visit to Mercy UK.

ORGANISATIONAL STRUCTURE AND DECISION MAKING

The Board of Trustees currently consists of 9 members. The members meet quarterly and are responsible for the strategic direction and governance for the organisation.

The Trustees, who are also Directors of Mercy Ministries UK for the purposes of company law, 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 Services 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 and are participants of 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 2019, the practice of holding sub-committees was introduced to allow for more strategic discussion and decision-making into key areas of risk. Sub-committees consist of at least two members of the Board of Trustees and at least one member of the Senior Leadership Team.

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.

In 2019, the Chief Executive Officer also became a Trustee of Mercy Multiplied International (MMI) who meet quarterly. Once a year, the Chief Executive Officer attends the Trustee meeting in person, in the US.

REFERENCE AND ADMINISTRATIVE DETAIL

COMPANY INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2019

CHAIRMAN AND TRUSTEES:

Helen Edwards - Chairman (appointed 25/04/2019)
Justin Cooper (resigned as Chair 25/04/2019)
Samantha Coates (resigned 25/04/2019)
Juliet Mayhew
William Van Der Hart
Waller, Robert Marten
Rob Martin (resigned 25/04/2019)
Lynn Morrow (appointed 25/04/2019)
Warwick 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:

Elizabeth Alice Zoe Wielkopolska

CHIEF EXECUTIVE:

Arianna Walker

REGISTERED OFFICE:

Cragg Royd
Lowertown
Oxenhope
BD22 9JE

BANK:

Santander Bank
Bridle Road
Bootle
Merseyside
GIR OAA

AUDITOR:

Samantha Sutcliffe
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 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.

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 20th July 2020 and signed on its behalf by:

Helen Edwards
Chair of Trustees

MERCY MINISTRIES UK

REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF MERCY MINISTRIES UK FOR THE YEAR ENDED 31ST DECEMBER 2019

We have audited the financial statements of Mercy Ministries UK for the year ended 31st December 2019 as set out on pages 12 to 18. The reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'S) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the trustees report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31st December 2018 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 31ST DECEMBER 2019 (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires me 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

.....
Torevell Dent (Audit) LLP is eligible to act as auditor in terms of section 121 of the Companies Act 2006

MERCY MINISTRIES UK

STATEMENT OF FINANCIAL ACTIVITIES

SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2019

	<u>Notes</u>	<u>Unrestricted Funds</u>	<u>Restricted Funds</u>	<u>2019 Total</u>	<u>2018 Total</u>
Income and endowments from:					
Donations and legacies	4	441,226	638,885	1,080,111	1,122,846
Charitable activities		87,999	-	87,999	85,420
Other trading activities		71,156	-	71,156	80,602
Total income		600,381	638,885	1,239,266	1,288,868
Expenditure on:					
Raising funds		80,328	2,680	83,008	84,933
Charitable activities	5	579,448	623,871	1,203,319	1,202,823
Other		26,606	-	26,606	39,785
Total expenditure		686,382	626,551	1,312,933	1,327,541
Net income/(expenditure)		(86,001)	12,334	(73,667)	(38,673)
Transfer between funds		-	-	-	-
Total funds brought forward		48,955	1,538,963	1,587,918	1,626,591
Total funds carried forward		(37,046)	1,551,297	1,514,251	1,587,918

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

MERCY MINISTRIES UK

BALANCE SHEET FOR THE YEAR ENDED 31ST DECEMBER 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Fixed assets	6	1,551,718	1,626,759
Current Assets			
Stock		14,548	9,634
Debtors & prepayments	7	3,672	7,887
Cash at bank and in hand		<u>486,412</u>	<u>51,392</u>
		504,632	68,913
Creditors: amounts due within one year	8	<u>(542,099)</u>	<u>(107,754)</u>
Net Current Assets		(37,467)	(38,841)
Total net assets		<u><u>1,514,251</u></u>	<u><u>1,587,918</u></u>
Reserves			
Unrestricted funds	10	(37,046)	48,955
Restricted funds	10	1,551,297	1,538,963
Total funds		<u><u>1,514,251</u></u>	<u><u>1,587,918</u></u>

The financial statements have been prepared in accordance with the special provisions of part 15 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

MERCY MINISTRIES UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

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 (FRS102) (effective 1st 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 excellent 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 in order 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 and in light of the pandemic, the level of monthly regular giving has continued without any significant loss of donors. This situation is being continuously monitored but the assumptions for the forecasts are that they will continue at the current level (as at June/ July 2020).

Furthermore, the terms of repayment of the loan from The Goshen Trust have been extended beyond 12 months and the high level donations have been received in advance for 2020 and are also promised 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 of 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.

MERCY MINISTRIES UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019 (CONTINUED)

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, any 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 on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market: a corresponding amount is then recognised in expenditure in the period of receipt.

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 & Equipment	25% on a reducing balance basis
Freehold property	4% on a straight line basis

MERCY MINISTRIES UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019 (CONTINUED)

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 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 profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

2 Staff Salaries and National Insurance

	<u>2019</u>	<u>2018</u>
	£	£
Salaries and wages	784,491	791,936
Social Security costs	60,652	68,864
	<u>845,143</u>	<u>860,800</u>

The average weekly number of staff employed, calculated as fulltime equivalents during the year was 32 (2018: 34). No remuneration or expenses were paid to any of the trustees during the year. No employee received remuneration of £60,000 p.a. or more.

3 Net Income

	<u>2019</u>	<u>2018</u>
Net income is stated after charging:		
Depreciation	81,917	84,340
Audit fee	3,540	3,270
	<u>85,457</u>	<u>87,610</u>

4 Income from donations and legacies

	<u>2019</u>	<u>2018</u>
Regular giving	220,419	336,667
Restricted fund donations	638,885	683,394
Donations	128,447	25,101
Grants received from Trusts	45,750	35,150
Gift Aid received	46,610	42,534
	<u>1,080,111</u>	<u>1,122,846</u>

MERCY MINISTRIES UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019 (CONTINUED)

5 Expenditure on Charitable Activities

	<u>2019</u>	<u>2018</u>
International Affiliation fees	24,016	21,442
Staff costs and National Insurance	845,143	860,800
Recruiting and training	14,320	15,633
Premises costs	43,465	38,442
Residential programme activity costs	37,075	46,368
Administration costs	76,070	58,215
Motor and travel costs	24,098	22,938
Tithes	53,367	52,190
Depreciation and loss on sale of assets	81,917	84,340
Finance costs	308	355
Audit fee	3,540	2,100
	<u>1,203,319</u>	<u>1,202,823</u>

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 £
Cost				
At 1 st January 2019	1,876,399	50,364	30,501	1,957,264
Additions	-	6,876	-	6,876
Disposals at cost	-	-	-	-
At 31st December 2019	<u>1,876,399</u>	<u>57,240</u>	<u>30,501</u>	<u>1,964,140</u>
Depreciation				
At 1 st January 2019	261,351	47,087	22,067	330,505
Charge for period	75,055	4,754	2,108	81,917
At 31st December 2019	<u>336,406</u>	<u>51,841</u>	<u>24,175</u>	<u>412,422</u>
Net Book Value				
At 31 December 2019	<u>1,539,993</u>	<u>5,399</u>	<u>6,326</u>	<u>1,551,718</u>
At 31 December 2018	<u>1,615,048</u>	<u>3,277</u>	<u>8,434</u>	<u>1,626,759</u>

MERCY MINISTRIES UK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019 (CONTINUED)

7 Debtors: Amounts falling due within one year

	<u>2019</u>	<u>2018</u>
Prepayments	3,672	7,887
	<u>3,672</u>	<u>7,887</u>

8 Creditors: Amounts falling due within one year

	<u>2019</u>	<u>2018</u>
Trade creditors	13,991	11,761
Social Security	16,199	16,410
Accruals	436,909	4,583
Loan	75,000	75,000
	<u>542,099</u>	<u>107,754</u>

9 Operating Lease Rentals

	<u>2019</u>	<u>2018</u>
Annual operating lease rentals on equipment	<u>4,096</u>	<u>7,739</u>

10 Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Totals £
Tangible fixed assets		1,551,718	1,551,718
Current assets	24,632	480,000	504,632
Current liabilities	(61,678)	(480,421)	(542,099)
Transfer between funds	-	-	-
Net assets 31 st December 2019	<u>(37,046)</u>	<u>1,551,297</u>	<u>1,514,251</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 (2018: £750).

MERCY MINISTRIES UK

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019		2018	
	£	£	£	£
Turnover				
Regular giving	220,419		262,587	
Donations	813,082		817,724	
Merchandise sales	65,749		65,354	
Other income	5,408		1,764	
Gift Aid	46,610		42,534	
Fundraising	87,998		85,420	
Charity shop sales	-		13,485	
	<u>1,239,266</u>		<u>1,288,868</u>	
Cost of sales				
Fundraising events and merchandise costs	<u>83,008</u>		<u>84,933</u>	
GROSS PROFIT		1,156,258		1,203,935
Expenditure				
Rates and water	6,379		6,026	
Insurance	6,335		6,497	
Light and heat	13,736		11,787	
Property maintenance	17,015		14,131	
Wages and National Insurance	845,143		860,800	
Telephone	5,358		4,321	
Printing and stationery	5,672		4,567	
Postage	7,416		6,713	
Travel and accommodation	18,350		22,938	
Training	4,446		4,042	
Corporate Service team costs	9,874		11,591	
Project motor costs	9,674		8,556	
Leasing costs	4,096		7,739	
International affiliation fees	24,016		21,442	
Professional, consultancy and audit fees	39,551		19,262	
Resident recreation and resource costs	2,526		3,988	
Charity shop expenses	26,606		39,785	
Carried forward	<u>1,046,193</u>	<u>1,156,258</u>	<u>1,054,185</u>	<u>1,203,935</u>

This page does not form part of the statutory financial statements

MERCY MINISTRIES UK

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2019 (CONTINUED)

	2019		2018	
	£	£	£	£
Brought forward	1,046,193	1,156,258	1,054,185	1,203,935
Project food costs	25,134		26,782	
Website costs	550		1,338	
Programme non food costs	5,489		7,042	
Subscriptions	3,703		3,241	
IT costs	11,882		11,471	
Tithes	53,367		52,190	
Sundry expenses	1,382		1,664	
		<u>1,147,700</u>		<u>1,157,913</u>
		8,558		46,022
Finance costs				
Bank charges	<u>308</u>		<u>355</u>	
		<u>308</u>		<u>355</u>
		8,250		45,667
Depreciation				
Freehold property	75,055		75,056	
Furniture and equipment	2,108		2,811	
Computer equipment	<u>4,754</u>		<u>6,473</u>	
		<u>81,917</u>		<u>84,340</u>
Net(Expenses)		<u><u>(73,667)</u></u>		<u><u>(38,673)</u></u>