

Charity registration number: X229943

Sisters of Mercy Sunderland (229943)

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Whitnalls

Chartered Certified Accountants & Registered Auditors

Trident House
105 Derby Road
Liverpool
L20 8LZ

Sisters of Mercy Sunderland (229943)

Contents for the Year Ended 31 December 2021

Reference and Administrative Details	1
Trustees' Report	2 to 10
Independent Auditors' Report	11 to 13
Statement of Financial Activities	14 to 15
Balance Sheet	16
Cash Flow Statement	17
Notes to the Financial Statements	18 to 29

Sisters of Mercy Sunderland (229943)

Reference and Administrative Details

Trustees	Miss P.A. Shoulder Miss M.M. Rowntree Miss S.C. Christon Miss K. Matthews (appointed 15 May 2021) Mrs A.M. Shanks Mrs A.M. Thompson Miss J.C. Carlin (resigned 15 May 2021)
Principal Office	Convent of Mercy Oak Lea Tunstall Road Sunderland SR2 7JR
Charity Registration Number	X229943
Solicitors	Womble Bond Dickinson (UK) LLP One Trinity Broad Chare Newcastle upon Tyne NE1 2HF
Bankers and Other Financial Advisors	National Westminster Bank plc 52 Fawcett Street Sunderland SR1 1SB Investec Wealth and Investment Limited 30 Gresham Street London EC2V 7QN
Auditor	Whitnalls Chartered Certified Accountants & Registered Auditors Trident House 105 Derby Road Liverpool L20 8LZ

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

The trustees present the annual report together with the financial statements of the charity for the year ended 31 December 2021.

Trustees

Miss P.A. Shoulder

Miss M.M. Rowntree

Miss S.C. Christon

Miss K. Matthews (appointed 15 May 2021)

Mrs A.M. Shanks

Mrs A.M. Thompson

Miss J.C. Carlin (resigned 15 May 2021)

Objectives and activities

Objects and aims

Our objectives are set to reflect our faith and community aims. Each year the trustees review our objectives and activities to ensure that they continue to reflect our aims. In carrying out this review, the trustees have considered the Charity Commission's general guidance on public benefit and, in particular, its supplementary public guidance on the advancement of religion for the public benefit.

The Charity's objectives are the promotion of the educational, religious and other charitable work of the Roman Catholic Church in England for the benefit of the public in such a way as the trustees shall from time to time, with the consent of the Sister Superior, determine. If, and insofar as the trustees consider, they may not usefully apply assets available for distribution in any one year in England then they shall apply the same with such consent for such work elsewhere.

The Charity carries out a wide range of activities in pursuance of its charitable aims.

Public benefit

The trustees consider that the strategies employed to achieve the Charity's objectives for 2021 and the principal areas in which the Community is involved, set out below, provide benefit to the wider community in North East England, England as a whole, and elsewhere as the trustees see fit.

The trustees confirm that they have complied with the requirements of section 4 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Achievements and performance

During the year to 31st December 2021, the Community was active in all principal areas listed above. A summary of key developments is set out below:-

Within the limitations of lockdown and Covid restrictions, the Sisters in Oaklea continued their various ministries, working as parish sisters, parish based committee co-ordinators, school governors and visitors to the elderly and others in need. Other Sisters do very valuable work in the house, attending to visitors and callers, helping to provide food for the poor. Some are involved in adult education programmes.

The Community has provided financial assistance to three food banks, families in need during lockdown and support for families during illness and death. This has been essential during the continuing Covid outbreak. One of the sisters is a volunteer for Fair Share collecting essential foods and delivering them to local drop-ins, foodbanks and the like, working in collaboration with local Christian Churches.

An essential community project during lockdown was singing outside the Convent every Thursday supporting the NHS and showing social solidarity with our neighbours. This gesture of gratitude was continued until March 2021 which led to valuable contact by phone and email with many in Sunderland and beyond. Many of the Sisters continued their work with the vulnerable and those in need by phone, letters and email. Sisters were still able to deliver food parcels to the doors of those in need and continue to collect donations of much needed food from local supermarkets and share the produce with local drop-ins and foodbanks.

As members of Mercy International Association (MIA) the Community continues the strong links with Mercy International in Dublin. The President of the English Federation is Sr Paula Thomas, from Convent of Mercy Midhurst. Our representative for the Global Mercy Action on behalf of the Federation of the Sisters of Mercy is Sr. M. Josepha.

The Community also continued its participation in several programmes aimed at assisting the poor, for example. CAFOD's "Walk for Water" campaign and work with The Apostleship of the Sea.

In February 2021, our finance manager Rob Healey retired after 20 years of faithful service to the Sisters. He dealt with solicitors, auditors, insurance matters and carried out many administrative functions, with the assistance of his team, as well as the finances. He will be greatly missed.

One Sister retired in April 2021 from the Board of Bishop Chadwick M.A.T as Director and was thanked for her time and expertise in this role.

Community Elections took place on 15th May 2021 and Sr. M. Adrienne, (Patricia Shoulder) was elected to the position of Reverend Mother with Sr. M. Josepha (Kathleen Matthews) being elected as her Assistant.

Sr. Josepha, who retired as School Chaplain at St. Anthony's School in July 2020, worked alongside Mr David Harrison to ensure continuity of provision. This valuable work has continued into 2021 involving students, staff and sisters in many positive and prayerful projects.

In August 2021, Michelle Daurat was appointed as General Manager of the charity.

In October 2021, as Covid restrictions slowly relaxed, an Exhibition of Icons was held in the Centre along with a Day of Prayer in honour of St. Teresa of Avila.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Two sisters were involved in St. Mary's Parish's Confirmation Programme working alongside catechists with some 48 students.

Our pastoral work included one member of the Community who is Chair of Governors at St. Anthony's Girls' Catholic Academy.

One member of the Community continued her work in South Sudan in 2021 as a coordinator based in the UK.

One Sister was appointed as a Trustee onto the Diocesan Board of the Youth Ministry Team (YMT) and is involved with the Emmaus Village Project

The Community made a number of large donations during 2021 of which the most significant were the following:-

- Initial donation of £757,500 to Significance, a registered Charitable Incorporated Organisation, set up to assist the Youth Ministry Trust (YMT) and provide grant funding to YMT for the purposes of meeting YMT's ongoing operating costs and to contribute to modernising and developing YMT's facilities, thereby enabling it to be self-sufficient and no longer reliant on grant funding from the Diocese of Hexham & Newcastle. The Trustees are satisfied that this donation is in furtherance of the Charity's objects
- £5,000 was donated to Cracked Pot Enterprises, a new business set up by a beneficiary of the Oasis Aquila Housing homeless project.
- A payment of £5,000 was made to Perth House, to enable the continuation of a Retreat Centre and outreach especially during the restrictions of lockdown and the lack of income.
- A payment of £9,876 was made to the Diocese of Hexham and Newcastle towards the installation of replacement internal doors within St. Mary's Church, Hexham.
- A payment of £40,000 was made to the Diocese of Hexham and Newcastle towards The Mercy Hub, based at St. Mary's Cathedral, Newcastle. The donation covers 2021 and 2022 and is to assist in the funding of a co-ordinator and to provide funds for activities over the 2 years.
- A donation of £32,000 was made to Young Christian Workers
- Donations totalling £6,000 to CAFOD

We continued our support of students to assist them in further and higher education, who would otherwise not have been able to afford their courses. Bursary payments were made to 25 students, totalling £62,000.

Finally, it is with sadness that we have to report the death of two of our sisters, Sr. M. Enda and Sr. M. Fintan since our last report.

Sr. M. Enda died on 27th September 2021 after 75 years as a Sister of Mercy. She was born in County Clare, Ireland on 24th May 1930. She obtained a degree from Newcastle University and started teaching Geography in St. Anthony's Catholic Girls' School in 1958. In 1973 she became the Headteacher of St. Anthony's and then was elected Rev. Mother in 1976. From 1976 - 2000 she served 5 x 3-year terms of Office as Rev. Mother and 5 x 3-year terms of Office as Mother Assistant. Sr. M. Enda also worked in a leadership role with Mercy England and in Ireland. She was greatly loved by all her sisters and those she worked with.

Sr. M. Fintan died on 31st January 2022 after 77 years as a Sister of Mercy. She was born in Gort, Co. Galway, Ireland on 4th February 1927. She worked in Ryhope, Gainford, and Seaham as a House Mother and Sister in Charge of Children's Homes. Sr. M. Fintan was a gifted seamstress and very hospitable. After retirement she lived in Somerleyton and later in Bishop's House, Newcastle, caring for Bishop Ambrose.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

May they both rest in peace.

Financial review

The end of year saw our Balance Sheet in a healthy position with total funds standing at £37,580,657, an increase of £1,772,535 on the previous year. Before taking into consideration realised losses and gains on our investments, there was a deficit of £818,803, which compares with last year's deficit of £801,794.

Policy on reserves

The Trustees have reviewed their medium term commitments (up to 5 years) and continue to acknowledge that:-

(1) There continues to be increasing financial burdens placed upon us in providing adequate care for what is an ageing community. In addition to this, as Sisters become more frail, specific areas, i.e. catering, cleaning, care and finances, are managed by employed lay staff with the consequential increase in budgeted costs.

(2) As Sisters reach retiring age they will need retraining in new ministry. It is, therefore, prudent to set aside funds towards potential extra costs. This requires resources for their ongoing development and personal renewal.

(3) There may be costs associated with plans for how the buildings are used in the future as the number of Sisters decrease, e.g. feasibility studies; estate agency costs; renovation costs.

We have also reviewed our longer term commitments (6 to 10 years) and are satisfied that we have a suitable reserves policy in place.

Principal funding sources

As in previous years, the three main sources of funding were investment income, bank interest, and covenanted Sisters' teaching pensions. This year there was a realised surplus of £1,318 (last year deficit £1,305,624) on sales undertaken by our investment advisors. This last source is not taken into account when budgeting as it is merely a by-product of their transposition of investments during the year and cannot be relied upon.

As reported earlier (in Achievements and Performance) our donations and grants paid amounted to £985,329, all made either for the promotion of the Roman Catholic religion or the provision of education.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Investment policy and objectives

The Charity has a formal investment policy which is reviewed on a regular basis.

The investment objective is the achievement of a targeted return of both income and capital growth by investment with no more than a moderate level of risk. This is achieved by reference to four indices referred to under the heading "Investment Performance" although our total portfolio does not fit with any of the indices or indeed with the relevant WM Charity Index.

This policy also provides for our advisors to take account of certain ethical constraints which we have imposed.

The Community's investment powers are governed by the provisions of the Trustee Act 2000.

The Community receives advice from our investment managers, Investec Wealth & Investment Limited, who provide us with quarterly valuations of the portfolio. Our Finance Manager, and latterly General Manager, is instructed to receive weekly (or more frequently as events dictate) reports from the stockbrokers and meet with them at least twice a year to ensure that the fund is managed in accordance with our guidelines and within the ethical principles of the Community.

Our Finance Manager and General Manager reports to the Trustees on a regular basis and arranges for the stockbroker who manages the portfolio to visit us twice during the year in order to discuss all matters relating to investment policy with the Trustees.

The Trustees consider all advice received in meetings of the Council, although Sister Superior is empowered to take urgent decisions alone.

Plans for future periods

Activities planned to achieve aims

The Charity plans to continue the activities outlined in depth above, both in 2022 and in the forthcoming years, subject to satisfactory funding arrangements.

We intend to review our existing plans to ensure that the Charity's ageing community needs, as identified in the Reserves Policy section, are fully provided for. The health of the Community must be a continual review to ensure that funds are in place to meet all health requirements.

As in previous years we have plans to make a number of charitable donations in 2022.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Structure, governance and management

Nature of governing document

The Charity, known as the Sisters of Mercy Sunderland (229943), is governed by the single scheme approved by the Charity Commission on 24th January 2008. This scheme altered or affected the trusts of the charities formerly known as:-

Sisters of Mercy, St. Anne's Convent Wolsingham
Sisters of Mercy St. Anthony's Convent (229943)
Sisters of Mercy St. Joseph's Convent Gosforth
Sisters of Mercy Convent of Mercy Seaham
Sisters of Mercy Convent of Mercy Hexham
Sisters of Mercy St. Anthony's Secondary School
Sisters of Mercy Educational Trust
Sisters of Mercy Ryhope Property Trust

Recruitment and appointment of trustees

Recruitment of trustees is undertaken by a process of discernment by the Sister Superior.

The power of appointing new trustees is vested in the Sister Superior.

Induction and training of trustees

As part of the ongoing training programme, existing and new Trustees are made aware of their responsibilities as Trustees of this charity. This programme includes: -

- An introduction to the specific objectives, scope and policies of the Charity. Most of the Trustees, being members of the Community, are aware of the overall aims and objectives of the Charity. One of the new Lay Trustees has worked with the Sisters as Chair of St. Anthony's Catholic Academy and has a deep commitment to the Mercy ethos. The other Lay Trustee has extensive knowledge of parish and Diocesan affairs and the ethos that accompanies these. The Trustees have committed to training, either by Zoom or in person, during 2021-22.
- Charity Commission information on trustee responsibilities as signposted through the Commission's guide "The Essential Trustee".
- A summary of the main documents which set out the operational framework for the Charity.
- Copies of the financial position as set out in both the latest published accounts and the latest financial forecast.
- Copies of the latest risk assessments.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Organisational structure

The Sisters of Mercy Sunderland (229943) is an autonomous religious order which is administered by Sister Superior for the time being, together with a Council consisting of four members of the Community and four other trustees. Sister Superior and the Council are elected by the members of the Community for a term of three years, but the trustees are appointed for a term of four years. The governing documents require that the trustees, who are an unincorporated body, must be drawn from members of the Community or trusted lay people.

The Chair of Trustees is the Sister Superior of the Community.

The Community lives and operates from the Convent at Sunderland. The Community also has an established Branch House at Wolsingham.

Strategic financial decisions relating to all the Convents are overseen by the Trustees, although the day-to-day management of accounts is undertaken by the Finance Manager, and latterly General Manager. Mandates with the principal bankers are in place to the effect that any two Trustees may sign cheques. In the case of the Branch Houses this authority is delegated to the respective Sisters in Charge but under the ultimate authority of the Trustees.

The accounts accompanying this report are the accounts of the charitable trusts on which the assets of the Community are held.

Major risks and management of those risks

Risk management

The major risks to which the Charity is exposed have been identified and considered. The Trustees are satisfied that procedures are in place to cover all aspects of risk.

Internal control risks are minimised by the implementation of procedures for authorisation of all financial transactions. Procedures are also in place to ensure compliance with the health and safety of staff, clients and visitors to all our premises.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Financial instruments

Objectives and policies

The charity's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the charity's policies approved by the board of trustees, which provide written principles on the use of financial derivatives to manage these risks. The charity does not use derivative financial instruments for speculative purposes.

Cash flow risk

The charity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The charity uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The charity's principal financial assets are bank balances and cash, trade and other receivables, and investments. The charity's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The charity has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the charity uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

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

The law applicable to charities requires the trustees to prepare financial statements 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 period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

Sisters of Mercy Sunderland (229943)

Trustees' Report for the Year Ended 31 December 2021

Statement of Trustees' Responsibilities

The trustees are responsible for keeping proper accounting records that 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 Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the constitution. The trustees 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.

The annual report was approved by the trustees of the charity on and signed on its behalf by:

P. A. Shoulder
Miss P.A. Shoulder
Trustee

M.M. Rowntree
Miss M.M. Rowntree
Trustee

S. S. Christon
Miss S.C. Christon
Trustee

K. Matthews
Miss K. Matthews
Trustee

Sisters of Mercy Sunderland (229943)

Statement of Financial Activities for the Year Ended 31 December 2021

	Note	Unrestricted funds £	Total 2021 £
Income and Endowments from:			
Donations and legacies	2	499,855	499,855
Investment income	3	1,062,426	1,062,426
Other income	4	<u>669</u>	<u>669</u>
Total Income		<u>1,562,950</u>	<u>1,562,950</u>
Expenditure on:			
Raising funds	5	(106,258)	(106,258)
Charitable activities	6	<u>(2,275,495)</u>	<u>(2,275,495)</u>
Total Expenditure		<u>(2,381,753)</u>	<u>(2,381,753)</u>
Net income/(expenditure) before gains/(losses) on investments		<u>(818,803)</u>	<u>(818,803)</u>
Realised gains/losses on investment assets		1,318	1,318
Unrealised gains/(losses) on investment assets		<u>2,590,020</u>	<u>2,590,020</u>
Net movement in funds		1,772,535	1,772,535
Reconciliation of funds			
Total funds brought forward		<u>35,808,122</u>	<u>35,808,122</u>
Total funds carried forward	16	<u><u>37,580,657</u></u>	<u><u>37,580,657</u></u>

Sisters of Mercy Sunderland (229943)

Statement of Financial Activities for the Year Ended 31 December 2021

	Note	Unrestricted funds £	Total 2020 £
Income and Endowments from:			
Donations and legacies	2	572,149	572,149
Investment income	3	<u>863,909</u>	<u>863,909</u>
Total Income		<u>1,436,058</u>	<u>1,436,058</u>
Expenditure on:			
Raising funds	5	(93,718)	(93,718)
Charitable activities	6	<u>(2,144,134)</u>	<u>(2,144,134)</u>
Total Expenditure		<u>(2,237,852)</u>	<u>(2,237,852)</u>
Net income/(expenditure) before gains/(losses) on investments		<u>(801,794)</u>	<u>(801,794)</u>
Realised gains/losses on investment assets		(1,305,624)	(1,305,624)
Unrealised gains/(losses) on investment assets		<u>(171,720)</u>	<u>(171,720)</u>
Net movement in funds		(2,279,138)	(2,279,138)
Reconciliation of funds			
Total funds brought forward		<u>38,087,260</u>	<u>38,087,260</u>
Total funds carried forward	16	<u><u>35,808,122</u></u>	<u><u>35,808,122</u></u>

All of the charity's activities derive from continuing operations during the above two periods.

Sisters of Mercy Sunderland (229943)

(Registration number: X229943)
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	11	6,145,591	6,159,510
Investments	12	<u>30,468,162</u>	<u>28,182,884</u>
		36,613,753	34,342,394
Current assets			
Debtors	13	471,884	495,028
Cash at bank and in hand		<u>607,907</u>	<u>1,154,553</u>
		1,079,791	1,649,581
Creditors: Amounts falling due within one year	14	<u>(112,887)</u>	<u>(183,853)</u>
Net current assets		<u>966,904</u>	<u>1,465,728</u>
Net assets		<u>37,580,657</u>	<u>35,808,122</u>
Funds of the charity:			
Unrestricted income funds			
Unrestricted funds		<u>37,580,657</u>	<u>35,808,122</u>
Total funds	16	<u>37,580,657</u>	<u>35,808,122</u>

The financial statements on pages 14 to 29 were approved by the trustees, and authorised for issue on

..... and signed on their behalf by:

P. A. Shoulder
Miss P.A. Shoulder
Trustee

M.M. Rowntree
Miss M.M. Rowntree
Trustee

S.C. Christon
Miss S.C. Christon
Trustee

K. Matthews
Miss K. Matthews
Trustee

Sisters of Mercy Sunderland (229943)

Cash Flow Statement for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash income/(expenditure)		1,772,535	(2,279,138)
Adjustments to cash flows from non-cash items			
Depreciation and impairment		20,733	24,278
Investment income	3	(1,062,426)	(863,909)
Revaluation of investments		(2,590,020)	171,720
Loss on disposal of fixed assets held for the charity's own use		<u>987</u>	<u>239</u>
		(1,858,191)	(2,946,810)
Working capital adjustments			
Decrease in debtors	13	23,144	116,171
(Decrease)/increase in creditors	14	<u>(70,966)</u>	<u>89,002</u>
Net cash flows from operating activities		<u>(1,906,013)</u>	<u>(2,741,637)</u>
Cash flows from investing activities			
Interest receivable and similar income	3	12,740	15,333
Purchase of tangible fixed assets	11	(9,801)	(6,270)
Sale of tangible fixed assets		2,000	586,677
Purchase of investments	12	(2,599,290)	(4,824,688)
Sale of investments		2,904,032	5,651,561
Income from dividends	3	<u>1,049,686</u>	<u>848,576</u>
Net cash flows from investing activities		<u>1,359,367</u>	<u>2,271,189</u>
Net decrease in cash and cash equivalents		(546,646)	(470,448)
Cash and cash equivalents at 1 January		<u>1,154,553</u>	<u>1,625,001</u>
Cash and cash equivalents at 31 December		<u><u>607,907</u></u>	<u><u>1,154,553</u></u>

All of the cash flows are derived from continuing operations during the above two periods.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

Statement of compliance

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 Charities Act 2011.

Basis of preparation

Sisters of Mercy Sunderland (229943) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Income and endowments

Voluntary income including donations, gifts, legacies and grants that provide core funding or are of a general nature is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Donations and legacies are recognised on a receivable basis when receipt is probable and the amount can be reliably measured.

Investment income

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Raising funds

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Grant provisions

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees meetings and reimbursed expenses.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and, therefore, it meets the definition of a charitable trust for UK tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 of the Income Taxes Act 2017 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Tangible fixed assets

Individual fixed assets costing £50.00 or more are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Fixed asset investments

Fixed asset investments, other than programme related investments, are included at market value at the balance sheet date. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the year end.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

Fund structure

Unrestricted income funds are general funds that are available for use at the trustees discretion in furtherance of the objectives of the charity.

Pensions and other post retirement obligations

The charity operates a defined contribution pension scheme which is a pension plan under which fixed contributions are paid into a pension fund and the charity has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised in the Statement of Financial Activities when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the charity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

2 Income from donations and legacies

	Unrestricted funds		
	General £	Total 2021 £	Total 2020 £
Donations and legacies;			
Donations from individuals	60,001	60,001	-
Gifts - Covenanted pensions and salaries	439,854	439,854	572,149
	<u>499,855</u>	<u>499,855</u>	<u>572,149</u>

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Investment income

	Unrestricted funds	Total 2021	Total 2020
	General £	£	£
Income from dividends;			
Income from listed investments	962,340	962,340	762,028
Income from other unlisted investments	87,346	87,346	86,548
Interest receivable and similar income;			
Interest receivable on bank deposits	73	73	1,048
Other interest receivable	12,667	12,667	14,285
	<u>1,062,426</u>	<u>1,062,426</u>	<u>863,909</u>

4 Other income

	Unrestricted funds	Total 2021
	General £	£
Other income	<u>669</u>	<u>669</u>

5 Expenditure on raising funds

a) Investment management costs

	Unrestricted funds	Total 2021	Total 2020
	General £	£	£
Other investment management costs;			
Costs of obtaining investment advice	106,258	106,258	93,718
	<u>106,258</u>	<u>106,258</u>	<u>93,718</u>
	Total	Total	Total
	2021	2021	2020
	£	£	£
Investment management costs	<u>106,258</u>	<u>106,258</u>	<u>93,718</u>

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

6 Expenditure on charitable activities

	Unrestricted funds	Total 2021	Total 2020
	General £	£	£
Charity and donations	923,329	923,329	526,217
Grant funding of activities	62,000	62,000	44,000
Allocated support costs	-	-	323,896
Governance costs	1,290,166	1,290,166	1,250,021
	<u>2,275,495</u>	<u>2,275,495</u>	<u>2,144,134</u>

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

	Grant funding of activity £	Total 2021 £	Total 2020 £
Grants paid	62,000	62,000	44,000
Charity and donations	923,329	923,329	526,217
Loss on disposal of fixed assets	-	-	323,896
	<u>985,329</u>	<u>985,329</u>	<u>894,113</u>

£2,275,495 (2020 - £2,144,134) of the above expenditure was attributable to unrestricted funds and £Nil (2020 - £Nil) to restricted funds.

7 Analysis of governance and support costs

Governance costs

	Unrestricted funds General £	Total 2021 £	Total 2020 £
Staff costs			
Wages and salaries	688,952	688,952	666,545
Social security costs	51,360	51,360	49,612
Pension costs	11,237	11,237	9,060
Staff training	960	960	-
Audit fees			
Audit and accountancy fees	23,466	23,466	20,466
Legal fees	34,344	34,344	35,349
Depreciation, amortisation and other similar costs	21,720	21,720	24,516
Other governance costs	<u>458,127</u>	<u>458,127</u>	<u>444,473</u>
	<u>1,290,166</u>	<u>1,290,166</u>	<u>1,250,021</u>

8 Trustees remuneration and expenses

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

9 Staff costs

The aggregate payroll costs were as follows:

	2021 £	2020 £
Staff costs during the year were:		
Wages and salaries	688,952	666,545
Social security costs	51,360	49,612
Pension costs	11,237	9,060
Other staff costs	960	-
	<u>752,509</u>	<u>725,217</u>

The monthly average number of persons (including senior management team) employed by the charity during the year expressed as full time equivalents was as follows:

	2021 No	2020 No
Management staff	6	6
Administration staff	3	14
Domestic staff	9	11
Care staff	13	13
	<u>31</u>	<u>44</u>

No employee received emoluments of more than £60,000 during the year

10 Taxation

The charity is a registered charity and is therefore exempt from taxation.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Tangible fixed assets

	Land and buildings £	Furniture and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2021	6,040,530	351,904	126,400	6,518,834
Additions	-	9,801	-	9,801
Disposals	-	(7,931)	(11,189)	(19,120)
At 31 December 2021	<u>6,040,530</u>	<u>353,774</u>	<u>115,211</u>	<u>6,509,515</u>
Depreciation				
At 1 January 2021	-	257,753	101,571	359,324
Charge for the year	-	14,666	6,067	20,733
Eliminated on disposals	-	(5,507)	(10,626)	(16,133)
At 31 December 2021	<u>-</u>	<u>266,912</u>	<u>97,012</u>	<u>363,924</u>
Net book value				
At 31 December 2021	<u>6,040,530</u>	<u>86,862</u>	<u>18,199</u>	<u>6,145,591</u>
At 31 December 2020	<u>6,040,530</u>	<u>94,151</u>	<u>24,829</u>	<u>6,159,510</u>

12 Fixed asset investments

	2021 £	2020 £
Other investments	<u>30,468,162</u>	<u>28,182,884</u>

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

Other investments

	Listed investments £	Unlisted investments £	Total £
Cost or Valuation			
At 1 January 2021	24,379,842	3,803,042	28,182,884
Revaluation	2,253,765	336,255	2,590,020
Additions	2,308,867	290,423	2,599,290
Disposals	<u>(2,467,840)</u>	<u>(436,192)</u>	<u>(2,904,032)</u>
At 31 December 2021	<u>26,474,634</u>	<u>3,993,528</u>	<u>30,468,162</u>
Net book value			
At 31 December 2021	<u>26,474,634</u>	<u>3,993,528</u>	<u>30,468,162</u>
At 31 December 2020	<u>24,379,842</u>	<u>3,803,042</u>	<u>28,182,884</u>

Significant holdings

The Trustees have set 5% of the balance sheet value as at 31 December as the threshold for reporting material investments. As at 31 December 2021 the following investments were considered material.

Vanguard Funds S & P 500 - The holding amounts to 5.35% of the balance sheet value and 6.60% of the total portfolio

The Charities Property Fund - The holding amounts to 5.97% of the balance sheet value and 7.36% of the total portfolio.

13 Debtors

	2021 £	2020 £
Trade debtors	-	1,164
Prepayments	75,281	68,542
Other debtors	<u>396,603</u>	<u>425,322</u>
	<u>471,884</u>	<u>495,028</u>

Debtors includes £357,988 (2020: £393,321) receivable after more than one year.

	2021 £	2020 £
Other debtors	<u>357,988</u>	<u>393,321</u>

Other debtors include £357,988 (2020 - £393,321) receivable after more than one year. The amount represents a loan advanced to Carntyne Care Home Ltd. to facilitate the disposal of Carntyne Residential Home by the Trustees. The loan is repayable within a maximum of 13 years from the balance sheet date.

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Creditors: amounts falling due within one year

	2021 £	2020 £
Other taxation and social security	11,589	10,996
Other creditors	-	832
Accruals	<u>101,298</u>	<u>172,025</u>
	<u><u>112,887</u></u>	<u><u>183,853</u></u>

15 Pension and other schemes

Defined contribution pension scheme

The charity operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the charity to the scheme and amounted to £11,237 (2020 - £9,060).

16 Funds

	Balance at 1 January 2021 £	Incoming resources £	Resources expended £	Other recognised gains/(losses) £	Balance at 31 December 2021 £
Unrestricted funds					
General	<u>35,808,122</u>	<u>1,562,950</u>	<u>(2,381,753)</u>	<u>2,591,338</u>	<u>37,580,657</u>

17 Analysis of net assets between funds

	Unrestricted funds General £	Total funds £
Tangible fixed assets	6,145,591	6,145,591
Fixed asset investments	30,468,162	30,468,162
Current assets	1,079,791	1,079,791
Current liabilities	<u>(112,887)</u>	<u>(112,887)</u>
Total net assets	<u><u>37,580,657</u></u>	<u><u>37,580,657</u></u>

Sisters of Mercy Sunderland (229943)

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Analysis of net funds

	At 1 January 2021 £	Cash flow £	At 31 December 2021 £
Cash at bank and in hand	1,154,553	(546,646)	607,907
Net debt	<u>1,154,553</u>	<u>(546,646)</u>	<u>607,907</u>