

# themungofoundation

Financial Statements for the Year ended 31 March 2006

# themungofoundation

Company Limited by Guarantee  
Company No SC256488

Financial Statements for the Year ended 31 March 2006



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### Company Details

Company Registration Number: SC 256488

Charity Number: SC 035078

Registered Office: 196 Clyde Street  
Glasgow  
G1 4JY

Trustees: Most Rev Mario Joseph Conti  
Right Rev Monsignor John Canon Gilmartin  
Right Rev Monsignor James T Canon Clancy  
Right Rev Monsignor Owen Gallagher  
Very Rev Peter Canon Gallacher  
Right Rev Monsignor Peter Canon Smith  
Mr Ian Baillie – appointed 20 June 2005  
Councillor Elizabeth Cameron – appointed 20 June 2005  
Mr Edward Friel – appointed 20 June 2005  
Miss Agnes Malone – appointed 20 June 2005

Company Secretary: McSparran McCormick  
Waterloo Chambers  
19 Waterloo Street  
Glasgow  
G2 6AH

Senior Officers: Chief Executive – Ms Dana O'Dwyer  
Director of Finance – Mr Gerry Casey – appointed 1<sup>st</sup> January 2006  
Director of Human Resources – Mr James Kelly  
Director of Services and Development – Mr Graeme Henderson – appointed 19 September 2005

Bankers: The Royal Bank of Scotland  
1<sup>st</sup> Floor  
100 West George Street  
Glasgow  
G2 1PP

Solicitors: McSparran McCormick  
Waterloo Chambers  
19 Waterloo Street  
Glasgow  
G2 6AH

Auditors: Grant Thornton UK LLP  
95 Bothwell Street  
Glasgow  
G2 7JZ

Website: [www.themungofoundation.org.uk](http://www.themungofoundation.org.uk)

### **REPORT OF THE TRUSTEES**

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The Trustees present their annual report and the audited financial statements of The Mungo Foundation for the year ended 31 March 2006.

#### **Incorporation**

The company was incorporated on 23 September 2003 as a company limited by guarantee (SC 256488) and recognised by the Inland Revenue as a charity for the purposes of Section 505 Income & Corporation Taxes Act 1988 (SC 035078) with effect from that date. The company's Memorandum and Articles of Association are its governing document.

The company began operating on 1 April 2004.

#### **Objectives and Structure**

The Mungo Foundation was established by the Archdiocese of Glasgow to take forward the work of its Community Social Services Department, as inspired by the Gospel of Christ, and enriched by the tradition and ethical teaching of the Catholic Church.

The objectives of the company are governed by its Memorandum and Articles of Association and are to promote welfare, relieve poverty and advance education for the public benefit by the provision of wide-ranging social services comprising social services to the young, the elderly and those in care.

These objectives were met through the provision of residential, respite and day care services to adults and children with a learning disability, providing support and accommodation for young, homeless people, providing services to frail, older people, particularly those with dementia, supporting those mental health problems, single mothers, people with a sensory impairment and people with substance misuse problems.

The directors of the company are its Trustees and are referred to as Trustees throughout.

The company is headed by a Board of Trustees, of whom the Trustees and Chancellor of the Archdiocese of Glasgow are *ex officio* members. Up to 4 additional Board Members may be appointed by the *ex officio* Board Members. The management of the company is headed by a Chief Executive who reports to the Board on a regular basis and to whom Directors of Services and Development, Finance and Human Resources, and their staff, are accountable.

The strategic decisions affecting the company are made by the Trustees, with operational decisions delegated to the Chief Executive and the senior management team.

New Trustees of the company have the opportunity to meet with the Board Chairman and the Chief Executive to discuss their role and responsibilities on behalf of the organisation. A copy of the Memorandum & Articles of Association and the current Business Plan are provided as part of this process and an induction pack has been produced. The Company Secretary, who is also the company's lawyer, attends all Board meetings to provide advice and updates on changing legalisation. The role and responsibilities of Trustees and discussions on the requirements of the

### **REPORT OF THE TRUSTEES (continued)**

Office of Scottish Charity Regulator are regular items at Board meetings. Training for Board Members on governance matters is available from organisations such as Business Gateway.

A strategic planning away day is scheduled to take place in the autumn of 2006, where the Trustees will review the strategic aims of The Mungo Foundation, as it approaches the end of the first 3 years of operation. The review will consider and establish the strategic path for the organisation.

#### **Business Review and Future Developments**

In its second year of operations, the company successfully continued its programme of developing the work of the former Community Social Services Department of the Archdiocese of Glasgow, as an independent organisation in the voluntary sector.

The development of the senior management team of the company continued during the year following the appointment of Dana O'Dwyer, as the new Chief Executive, and a Director of Human Resources in 2005. New appointments were made to the posts of Director of Services and Development and Director of Finance. These appointments completed the implementation of the new management structure to reflect the independent structure of the company.

The funding environment for the voluntary sector remains difficult with local authorities facing financial pressures and seeking efficiency savings on an annual basis. Zero inflationary increases, particularly in projects funded by Scottish Executive Supporting People money, plus below inflation uplifts in other areas, increase the financial pressure on projects. Expenditure is closely monitored and controlled by the senior management team, without compromising service delivery.

The pressure of the challenging funding environment, combined with the current lack of unrestricted reserves, limits the company's ability to give pay awards for staff outwith the level of inflation paid by funders. This could have consequences for the organisation's ability to attract and retain suitably qualified staff.

The main aims of The Mungo Foundation, set out in its three year business plan covering the period 2004/5 to 2006/7, were to:

- a) Secure and sustain current projects
- b) Seek to improve the quality of the services provided
- c) Develop new services

#### **a) Secure and Sustain Current Projects**

During the year, in collaboration with Glasgow City Council, two respite services for people with learning disabilities were the subject of negotiations over potential restructuring because neither building would meet Care Commission standards after 2007. Through discussions with the council, a reconfiguration of the services was agreed with both of the services due to be relocated to premises provided by the council during the next financial year.

Two older people's services were the subject of funding cuts through Glasgow City Council's cost savings exercise. As a result of negotiations with Glasgow City Council, it is anticipated that one

### **REPORT OF THE TRUSTEES (continued)**

service will be reconfigured to provide a specialist mental health service for older people, which more closely meets the needs of the existing service users. The other service will be closed and, in collaboration with Glasgow City Council and the local housing association, the building will be used to develop a new adult mental health service.

Three projects moved to new premises within the financial year, with another scheduled to move to improved accommodation next year.

#### **b) Seek to Improve the Quality of the Services Provided**

A review of the service provision currently provided commenced during the year. The aim of the review is to ensure that the models of care provided were continuing to develop in line with best practice, that they meet the needs of service users and are operated cost effectively. The review will be completed during the next financial year.

Steps were taken to implement the new Contract Management Framework, developed by Glasgow City Council, to ensure that quality is monitored on a regular basis at all levels in the projects. This framework complements the internal quality tool that has been developed by the company to meet Care Commission Standards.

An internal IT audit has been undertaken to ensure that all projects are able to meet the requirements of the internal and external quality frameworks. A new HR database will also be implemented in the next financial year.

The new Training Manager has begun an audit of the current annual training programme, which is delivered on an internal and external basis for staff of the company. The Scottish Qualifications Authority verified and renewed the status of the company as an SQA approved centre.

Funding was again received from the Scottish Executive's Voluntary Sector Development Fund to ensure that managers meet the registration requirements of the Scottish Social Services Council.

#### **c) Develop New Services**

The construction work for building a thirty bed dementia unit in Drumchapel commenced in August 2005, with a completion date of August 2006, to fulfil the tender won from Glasgow City Council in September 2004. The construction work is progressing on schedule and on budget, with the service provision due to commence in the autumn of 2006. The funding of the construction work has been from the cash reserves of the charity with long term loan arrangements agreed with the Royal Bank of Scotland, which were put in place after the year end.

In September 2005, The Mungo Foundation won a tender to provide a new buildings-based respite service in Twechar, East Dunbartonshire. Staff were appointed in January 2006 and the service opened in April 2006.

The development of services continued later in the year with two tenders won by The Mungo Foundation to provide services in partnership with Glasgow City Council. The first tender will be

### **REPORT OF THE TRUSTEES (continued)**

the provision of nursing home care for people suffering from Alcohol Related Brain Damage. The service provision is anticipated to commence in 2008.

During the year the provision of services for asylum seekers was undertaken on a caretaker basis. The provision of the services on a permanent basis was later won by competitive tender, with the contract commencing in April 2006.

The Mungo Foundation will continue to review development opportunities and tender for the provision of services that meet the objectives of the charity. Already in June 2006, a further tender was won to provide Community Alcohol Support Services within the South of Glasgow, with the service provision anticipated to commence later in the financial year.

The focus of the Board and senior management in future years will be to ensure the continuing, steady growth of the company through the pursuit of tendering opportunities to develop new services, whilst ensuring the provision of person-centred services to existing service users. The development of a fund-raising strategy to attract additional resources is of prime importance, as is the implementation of an information technology strategy to provide effective communication and provision of information, both internally and externally.

### **Trustees**

The Trustees who served the company during the year and those appointed since the end of the financial year are stated on page 3.

### **Statement of Trustees' Responsibilities**

Company law requires the Trustees to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare financial statements on the going concern basis unless there are indications to the contrary.

The Trustees are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's Trustees, we certify that:

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

### **REPORT OF THE TRUSTEES (continued)**

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#### **Review of the Financial Position**

The Trustees report a net movement in funds of £387,646 for the year (2004/05: £950,401) with net assets of £1,338,047 as at 31 March 2006 (2004/05: £950,401).

The operating surplus after finance costs and before property transactions and transfers from the Archdiocese of Glasgow was £317,646 (2004/05: £973,483, including property and donations transferred from the Archdiocese of Glasgow of £693,851).

At the year end an interim valuation of the property was undertaken creating a revaluation reserve of £70,000.

The principal source of funding comes from working in partnership with local authorities and other funding bodies in the provision of care services within Glasgow and the West of Scotland. The income generated from this source amounted to £13,214,223 (2004/05: £12,144,842).

During the year donations were received of £42,296 (2004/05: £814,188, including donations from the Archdiocese of Glasgow).

As part of a contract won to provide a 30 bed dementia service, the construction of appropriate accommodation for provision of the service was commenced. The cost of the building project is £1.9 million with expenditure of £937,307 incurred in the year, £120,796 of which has been received from the funder of the service. The construction costs of the project have initially been financed from cash reserves and will be converted to a long term finance facility prior to completion of the project. The financing arrangements have led to a short term drop in the cash holdings of the organisation, resulting in the balance sheet showing Net Current Liabilities of £47,616 at 31 March 2006 (2004/05: Net Current Assets £445,205), this will be replaced by a long term financing arrangement, which has been established after the year end.

#### **Reserves Policy**

The Mungo Foundation is a relatively young company and operates in a market in which it is difficult to accumulate reserves. However, the Trustees would like to build up reserves over time, sufficient to meet future contingencies.

#### **Connected Charities**

The Mungo Foundation is a connected charity with the Archdiocese of Glasgow by virtue of the common control of the *ex-officio* Trustees. Full details on the Archdiocese of Glasgow can be obtained from the Director of Finance at the Curial Office of the organisation.

#### **Risk Management**

The Trustees are currently conducting their own review of the major risks to which the company is exposed and establishing systems to mitigate those risks. A formal risk register is currently under review to ensure that all major areas of risk have been identified and appropriate controls implemented. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects

### **REPORT OF THE TRUSTEES (continued)**

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of the charitable company. These procedures are periodically reviewed to ensure that they still meet the needs of the charity. An internal audit programme is carried out by head office staff.

#### **Financial Risk Management Policies and Objectives**

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company does not use derivative financial instruments to manage interest rate or foreign exchange costs and as such, no hedge accounting is applied. Given the size of the company, the Trustees have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Trustees are implemented by the company's finance function.

#### **Price Risk**

The company is exposed to price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to price risk exceeds the potential benefits. The Trustees will revisit the appropriateness of this policy should the company's operations change in size or nature.

#### **Credit Risk**

The company mainly contracts with Local Government Authorities and other Governmental bodies, which are viewed as being a low credit risk. The amount of exposure to any individual counterparty is reassessed regularly by the Board.

#### **Liquidity Risk**

The company maintains short-term cash that is designed to ensure the company has sufficient funds for its operations.

#### **Interest Rate Cash Flow Risk**

The company has interest bearing assets. The interest bearing assets only include cash balances, which earn interest at variable rates. The Trustees will revisit the appropriateness of this policy should the company's operations change in size or nature.

#### **Employment of Disabled Persons**

The Mungo Foundation gives full and fair consideration to applications for employment of people with a disability, having regard to their particular skills and abilities. Appropriate training is arranged for disabled persons, including retraining for employees who become disabled in order for them to continue their career development within the organisation. The Mungo Foundation has been welcomed by the Job Centre Plus as a user of the "Positive about Disabled People" symbol.

### **REPORT OF THE TRUSTEES (continued)**

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#### **Employee Information**

A newsletter is sent to staff twice yearly providing information on operations and developments within the organisation. A section of the website is solely for staff use, which gives easy access to policies and procedures, job vacancies within the organisation and other information.

Further information and consultation on matters of concern are available through the Human Resources Department.

#### **Auditors**

The Trustees appointed Grant Thornton UK LLP as auditors to The Mungo Foundation for the year ended 31 March 2006. The accounts have been prepared by The Mungo Foundation and audited by Grant Thornton UK LLP.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Trustee                      Mario J Conti

Trustee                      Owen Gallagher

Glasgow

Date: 31<sup>st</sup> August 2006

### **REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE MUNGO FOUNDATION**

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We have audited the financial statements of The Mungo Foundation for the year ended 31 March 2006 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditors**

The responsibilities of the trustees (who are also the directors of The Mungo Foundation for the purposes of company law) for preparing the annual report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE MUNGO FOUNDATION (continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year ended 31 March 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 31 March 2006.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
GLASGOW

31 AUGUST 2006.

### **ACCOUNTING POLICIES**

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The principal accounting policies of the company are set out below.

#### **Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice 2005: Accounting and Reporting by Charities, The Companies Act 1985, Law Reform (Miscellaneous Provisions) Act 1990 and the Charities Accounts (Scotland) Regulations 1992. The accounts have been prepared under the historical cost convention with the exception of heritable property which is subject to periodic revaluation to market value.

#### **Incoming Resources**

Voluntary income including donations, gifts, legacies and grants are included when received.

Investment Income is recognised on a receipts basis.

Income from charitable activities includes income from funding bodies where related to performance and specific deliverables are accounted for as the charity earns the right to consideration by its performance. Other income, including personal contributions are accounted for when received.

Other income is accounted for as it is received.

#### **Resources Expended**

Expenditure is recognised when a liability is incurred.

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

The governance costs include those incurred in the governance of the charity and its constitutional and statutory requirements. The expenditure includes audit fees, legal and other professional fees for the governance of the organisation.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resources. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis e.g. in line with the costs recoverable under the terms of the service provision contracts.

#### **Irrecoverable VAT**

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

## ACCOUNTING POLICIES (continued)

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### Tangible Fixed Assets

Properties, investments and other fixed assets donated to the charity are included as income at market value at the time of receipt and are shown as assets on the balance sheet until disposal takes place.

All other fixed assets are initially recorded at cost.

Heritable properties are revalued every five years, with an interim review being carried out after three years. The surpluses or deficits on revaluation of such properties are transferred to the relevant fund to which the assets relate, namely, designated, restricted or unrestricted.

Significant purchases of fixed assets are capitalised and depreciated.

### Depreciation

Depreciation is calculated to write down the cost or valuation of tangible fixed assets, with the exception of land and building under construction, by equal annual instalments over their expected useful lives. The rates generally applicable are:

Heritable Property	2%
Furniture, Fittings & Equipment	15% - 33.1/3%

### Grants

Grants receivable for significant capital expenditure are treated as deferred income and released to the income and expenditure account over the expected useful lives of the relevant assets. Where project funding includes immaterial capital expenditure, it is expensed.

Grants receivable for revenue expenditure are credited to the income and expenditure account in the period to which related expenditure is recognised.

### Restricted and designated funds

In accordance with the Statement of Recommended Practice, amounts received by the company which the donor has instructed be used for a specific purpose are held in restricted funds. From time to time the Trustees decide that certain other funds be used for specific purposes. These are known as designated funds, and are transferred from general funds.

Expenditure which meets the criteria laid down for restricted or designated funds are disclosed within the SOFA under the appropriate category of fund.

## **ACCOUNTING POLICIES (continued)**

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### **Contributions to staff pension funds**

The pension costs in the income and expenditure account represent the amount of contributions payable to the pension schemes in respect of the accounting period.

### **Leased Assets**

Payments made for assets held under operating leases are charged to the Statement of Financial Activities as incurred.

### STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)

	Note	Unrestricted Funds	Restricted Funds	Total Funds 31/03/06	Total Funds 31/03/05
		£	£	£	£
<b>Incoming Resources</b>					
<b>From Generated funds</b>					
Voluntary income		6,878	35,417	42,295	814,188
Investment Income		31,675	-	31,675	1,983
		38,553	35,417	73,970	816,171
<b>From Charitable Activities</b>					
Income from funding bodies	1	13,214,223	-	13,214,223	12,144,842
Personal contributions		229,162	-	229,162	155,155
Other income		19,898	-	19,898	112,227
		13,463,283	-	13,463,283	12,412,224
<b>Other Incoming Resources</b>					
Insurance receipts		-	-	-	1,060
Training grants		1,200	30,000	31,200	-
		1,200	30,000	31,200	1,060
<b>Total Incoming Resources</b>		13,503,036	65,417	13,568,453	13,229,455
<b>Resources Expended</b>					
Charitable Activities	3	13,180,590	35,622	13,216,212	12,223,636
Governance Costs		34,595	-	34,595	32,336
<b>Total Resources Expended</b>		13,215,185	35,622	13,250,807	12,255,972
<b>Net Incoming/(Outgoing) Resources for the Year</b>		287,851	29,795	317,646	973,483
<b>Gross Transfer Between Funds</b>	12	84,725	(84,725)	-	-
<b>Net Incoming/(Outgoing) Before Other Recognised Gains and Losses</b>		372,576	(54,930)	317,646	973,483
<b>Other Recognised Gains and Losses</b>					
Loss on sale of property		-	-	-	(23,082)
Gain on Revaluation of Assets	13	70,000	-	70,000	-
<b>Net Movement in Funds</b>		442,576	(54,930)	387,646	950,401
Balances brought forward		784,357	166,044	950,401	-
<b>Balances carried forward</b>		1,226,933	111,114	1,338,047	950,401

The Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

The accompanying accounting policies on pages 13 to 15 and notes on pages 19 to 26 form part of these accounts.

**BALANCE SHEET AS AT 31 MARCH 2006**

		<b>31/03/06</b>	<b>31/03/05</b>
		<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>			
Tangible	6	<u>1,494,905</u>	<u>505,196</u>
<b>CURRENT ASSETS</b>			
Debtors	7	1,009,950	1,819,241
Cash at bank and in hand	8	641,460	509,464
		<u>1,651,410</u>	<u>2,328,705</u>
<b>CURRENT LIABILITIES</b>			
Creditors falling due within one year	9	<u>1,699,026</u>	<u>1,883,500</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(47,616)</u>	<u>445,205</u>
Total Assets Less Current Liabilities		1,447,289	950,401
Creditors falling due after more than one year	10	<u>109,242</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>		<u><u>1,338,047</u></u>	<u><u>950,401</u></u>
<b>RESERVES</b>			
Unrestricted Reserve	13	1,156,933	784,357
Restricted Reserve	13	111,114	166,044
Revaluation Reserve	13	<u>70,000</u>	<u>-</u>
		<u><u>1,338,047</u></u>	<u><u>950,401</u></u>

The financial statements were approved by the Trustees on 31<sup>st</sup> August 2006 and signed on their behalf by:

Trustee                      Mario J Conti

Trustee                      Owen Gallagher

The accompanying accounting policies on pages 13 to 15 and notes on pages 19 to 26 form part of these accounts.

## CASH FLOW STATEMENT

	Note	Year to 31/03/06 £	Period to 31/03/05 £
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>			
Net Incoming Resources		317,647	299,729
Interest Received		(31,161)	-
Depreciation charges		17,598	17,598
Decrease in debtors		809,290	(1,819,241)
(Decrease) in creditors		(75,232)	1,883,500
<b>Net cash inflow from operating activities</b>		1,038,142	381,586

## CASH FLOW STATEMENT

Net cash flow from operating activities		1,038,142	381,586
Returns on investments and servicing of finance	15	31,161	(20,097)
Capital expenditure less realisations	15	(937,307)	89,124
Receipt of cash donations from the Archdiocese of Glasgow		-	58,851
<b>Increase in cash</b>		131,996	509,464

## Reconciliation of net cash flow to movement in net funds

Increase in cash in the period		131,996	509,464
Net funds at 1 April 2005		509,464	-
<b>Net funds at 31 March 2006</b>	16	641,460	509,464

The accompanying accounting policies on pages 13 to 15 and notes on pages 19 to 26 form part of these accounts.

## NOTES TO THE ACCOUNTS

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### 1. Incoming Resources

	<b>Year to 31/03/06</b>	<b>Year to 31/03/05</b>
	<b>£</b>	<b>£</b>
Department of Work and Pensions	562,695	535,162
Health Boards	247,980	238,276
Local Authorities	12,403,548	11,371,404
	<u>13,214,223</u>	<u>12,144,842</u>

### 2. Employment Costs

	<b>£</b>	<b>£</b>
Salaries and Wages	9,801,270	8,763,964
Social Security Costs	799,309	746,786
Pension Costs	350,580	348,063
	<u>10,951,159</u>	<u>9,858,813</u>

One employee received emoluments of more than £60,000 (2005: nil). The contributions to a Money Purchase scheme during the year were £6,120 (2005: £nil)

The average number of people employed by The Mungo Foundation was:

	<b>No</b>	<b>No</b>
Operational staff in projects	601	593
Management and administration	25	25
	<u>626</u>	<u>618</u>

### Remuneration of Trustees

The Trustees of The Mungo Foundation receive no remuneration for their services. During the year, insurance was purchased at a cost of £339 (2004/05: £317) which indemnifies the Trustees against certain liabilities they may incur in respect of their role as Trustees of the charity.

## NOTES TO THE ACCOUNTS (continued)

### 3. Analysis of Charitable Expenditure

	Addictions £	Elderly £	Homelessness £	Learning Disabilities £	Mental Health £	Learning Disabilities Respite £	Sensory Impairment £	Total £	2005 Total £
Employment Costs	1,069,752	984,941	914,999	4,495,862	1,089,928	1,331,357	163,209	10,050,048	9,099,426
Property Costs	77,780	131,534	77,464	275,871	271,158	96,628	2,960	933,395	1,007,291
Services Costs	120,958	89,070	69,229	208,592	97,611	81,712	7,381	674,553	653,657
Transport Costs	17,899	1,225	8,879	62,768	18,863	55,182	337	165,153	148,267
Administration Costs	50,661	19,839	28,724	83,541	37,551	46,655	7,790	274,761	319,395
Support Costs	118,842	106,609	108,849	476,941	138,909	146,265	21,887	1,118,302	995,600
	1,455,892	1,333,218	1,208,144	5,603,575	1,654,020	1,757,799	203,564	13,216,212	12,223,636

### 4 Analysis of Support Costs

Support costs are apportioned across charitable activities on the basis of the amounts recoverable within the contracts for each service.

	Addictions £	Elderly £	Homelessness £	Learning Disabilities £	Mental Health £	Learning Disabilities Respite £	Sensory Impairment £	Total £	2005 Total £
Support Costs									
Training	13,582	9,902	13,874	63,684	16,293	15,622	3,093	136,050	113,317
HQ Costs	105,260	96,707	94,976	413,257	122,616	130,642	18,794	982,252	882,283
	118,842	106,609	108,850	476,941	138,909	146,264	21,887	1,118,302	995,600

## NOTES TO THE ACCOUNTS (continued)

### 5. Net Incoming Resources

The net incoming resources is stated after (crediting)/debiting:

	Year to 31/03/06 £	Year to 31/03/05 £
Depreciation	17,598	17,598
Auditors' remuneration – for audit services	20,093	16,450

### 6. Fixed Assets

	Buildings £	Computer Equipment £	Assets Under Construction £	Total £
<b>VALUATION OR COST</b>				
At 01/04/05	500,000	22,794	-	522,794
Revaluation	50,000	-	-	50,000
Additions	-	-	937,307	937,307
Disposals	-	-	-	-
At 31/03/06	550,000	22,794	937,307	1,510,101
<b>AGGREGATE DEPRECIATION</b>				
At 01/04/05	10,000	7,598	-	17,598
Charge for period	10,000	7,598	-	17,598
Disposals	-	-	-	-
Revaluation	(20,000)	-	-	(20,000)
At 31/03/06	-	15,196	-	15,196
<b>WDV at 31/03/06</b>	550,000	7,598	937,307	1,494,905
<b>WDV at 31/03/05</b>	490,000	15,196	-	505,196

The properties were donated by the Archdiocese of Glasgow on 1 April 2004 at open market value. The valuation was carried out by Freeman Macleod Limited, chartered surveyors and property consultants on 6 February 2004.

**NOTES TO THE ACCOUNTS (continued)**

An interim valuation was undertaken of the Buildings at 30 May 2006 by the Director of Development of the Archdiocese of Glasgow, a chartered surveyor, on an open market basis and was incorporated as at 31 March 2006.

The aggregate depreciation under the historic cost basis would have been £20,000 (2005: £10,000).

The figures stated above for cost or valuation include Land and Heritable Property as follows:

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
At Cost	500,000	500,000
At Valuation	550,000	-

If certain fixed assets had not been revalued they would have been included on the historic cost basis at the following amounts:

	<b>NBV of revalued tangible Fixed Assets 31/03/06 £</b>
Cost	500,000
Accumulated Depreciation	20,000
	480,000
	480,000

Additions of £937,307 relate to the costs incurred of a property under construction, depreciation will not be charged until the work is complete.

**7. Debtors**

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
Trade Debtors	666,844	1,336,666
Prepayments and Accrued Income	342,471	287,943
Archdiocese of Glasgow	-	193,090
Other Debtors	635	1,542
	1,009,950	1,819,241
	1,009,950	1,819,241

**NOTES TO THE ACCOUNTS (continued)**
**8. Bank and Cash**

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
Bank	399,897	343,765
Project Bank Accounts	241,363	165,499
Petty Cash	200	200
	<u>641,460</u>	<u>509,464</u>

**9. Creditors: amounts falling due within 1 year**

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
Trade Creditors	267,328	158,751
Accrued Expenditure	433,818	259,049
Deferred Income	704,497	1,174,562
PAYE/NIC	221,050	207,508
Pensions	33,425	34,063
Archdiocese of Glasgow	6,729	-
Other Creditors	32,179	49,567
	<u>1,699,026</u>	<u>1,883,500</u>

A bond and floating charge has been granted as security for a Term Loan to finance the construction of a 30 bed dementia unit, which commenced during the year. The term loan was not drawn down until after the year end.

**10. Creditors: amounts falling due after more than 1 year**

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
Retentions	24,198	-
Deferred Income	85,044	-
	<u>109,242</u>	<u>-</u>

**11. Deferred Income**

Deferred income comprises receipts that the company is not contractually entitled to recognise at the balance sheet date for services to be provided in a future financial period.

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
Balance as at 1 April	1,174,562	-
Released in year	(680,666)	-
Deferred in year	295,645	1,174,562
Balance as at 31 March	<u>789,541</u>	<u>1,174,562</u>

**NOTES TO THE ACCOUNTS (continued)**

**12. Transfer between Funds**

The transfer of £84,725 from the Cardinal's Ball fund to unrestricted reserves represents the balance of donations transferred from the Archdiocese of Glasgow on the establishment of the company which no longer have any restrictions placed on the use of the funds.

**13. Analysis of Restricted Funds**

	Balance at 01/04/05 £	Incoming Resources £	Resources Expended £	Transfer between funds	Balance at 31/03/06 £
<b><u>Unrestricted Funds</u></b>					
General funds	784,357	13,503,036	(13,215,185)	84,725	1,156,933
Revaluation Reserve	-	70,000	-	-	70,000
	<u>784,357</u>	<u>13,573,036</u>	<u>(13,215,185)</u>	<u>84,725</u>	<u>1,226,933</u>
<b><u>Restricted Funds</u></b>					
Counselling Fund	-	12,500	-	-	12,500
Transport Fund	17,000	-	-	-	17,000
Project Funds	64,319	22,917	(5,622)	-	81,614
Cardinals Ball	84,725	-	-	(84,725)	-
	<u>166,044</u>	<u>35,417</u>	<u>(5,622)</u>	<u>(84,725)</u>	<u>111,114</u>
 Total Funds	 <u>950,401</u>	 <u>13,608,453</u>	 <u>(13,220,807)</u>	 <u>-</u>	 <u>1,338,047</u>

**Purpose of Unrestricted Funds**

Revaluation Reserve Fund: The revaluation reserve fund is required by the Companies Act 1985 and represents the amount by which buildings exceed their historical value.

**Purpose of Restricted Funds**

Transport Fund: represents funds received for the provision of minibuses and transport facilities.

Counselling Fund: represents funds received to fund a counselling service for young vulnerable adults.

Project Funds: represents funds received for use with specific projects operated by the charity.

Cardinal's Ball Fund: represents funds transferred from the Archdiocese of Glasgow on the establishment of the company, where the funds no longer have any restrictions placed on their use.

**NOTES TO THE ACCOUNTS (continued)**

**14. Analysis of Net Assets Between Funds**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds</b>	<b>Total £</b>
Tangible Fixed Assets	1,494,905	-	1,494,905
Cash at bank and in Hand	530,346	111,114	641,460
Other net current Assets	(689,076)	-	(689,076)
Creditors More than one year	(109,242)	-	(109,242)
	<u>1,226,933</u>	<u>111,114</u>	<u>1,338,047</u>

**15. Gross Cash Flows**

	<b>Year to 31/03/06 £</b>	<b>Year to 31/03/05 £</b>
<b>Returns on investments and servicing of finance</b>		
Interest paid	(514)	(20,097)
Interest Received	<u>31,675</u>	<u>-</u>
	<u>31,161</u>	<u>(20,097)</u>
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(937,307)	(22,794)
Receipts from sales of tangible fixed assets	-	111,918
	<u>(937,307)</u>	<u>89,124</u>

**16. Analysis of Changes in Net Debt**

	<b>At 1 April 2005 £</b>	<b>Cash Flows £</b>	<b>At 31 March 2006 £</b>
Cash at bank	509,464	131,996	641,460
	<u>509,464</u>	<u>131,996</u>	<u>641,460</u>

**NOTES TO THE ACCOUNTS (continued)**

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**17. Pensions**

The Mungo Foundation operates a number of defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered by Trustees in funds independent from those of The Mungo Foundation. Contributions in the year amounted to £350,580 (2005 £348,063).

**18. Capital Commitments**

A commitment to build a 30 bed dementia unit costing £1,975,000 existed at the 31 March 2006. Costs of £937,307 have been incurred within the year with funding of £120,796 received towards the project's costs.

**19. Contingent Liabilities**

There were no contingent liabilities at 31 March 2006 and 31 March 2005.

**20. Leasing Commitments**

Operating lease payments amounting to £9,531 are due within one year in respect of motor vehicles and various items of general equipment. The leases to which these amounts relate expire as follows:

	<b>31/03/06</b>	<b>31/03/05</b>
	£	£
In one year or less	9,531	31,125
Between one and five years	65,467	60,803
In five years or more	-	-
	<u>74,998</u>	<u>91,928</u>

**21. Related Parties**

The company has taken advantage of the exemptions with FRS 8 "Related Parties" in not disclosing transactions with the Archdiocese of Glasgow, given that 90% or more of the company is controlled by the Archdiocese of Glasgow.

**22. Controlling Party**

The company is controlled by the Archdiocese of Glasgow.