

The Morvern Community Development Company

Year ended 31 March 2021

Summary of accounts

The activities of MCDC have increased in scale quite substantially from the year ended 31 March 2020 and this has resulted in a requirement to prepare a much more detailed and complex set of accounts.

Starting from the beginning of the document, the Trustees' Report now contains more detail of the activities of the charity in the year, including more emphasis on future plans and good governance.

The next significant change is that the accounts are now subject to an audit, where previously an independent examination was sufficient. This has resulted in the much more detailed report on pages 7 to 10 of the accounts. The difference between these two forms of assurance over the accounts is too complex for a brief summary, but the audit is much more stringent. We were pleased to be able to give a clean audit report on the accounts although our report noted that the the prior year figures had not been subject to audit.

Because MCDC has two subsidiaries (MCTC and MorVolts), the accounts need to show both the results of the charity in isolation and also the results of the entire group (the "consolidated" accounts). In consolidated accounts, any transactions between group members are removed.

The appendix to this document shows the Statement of Financial Activities of both the charity and the whole group with the notes removed and the detail shown in the main accounts. This should be easier to follow than the statutory format.

As in previous years, the activities of the charity are split into "Unrestricted" and "Restricted" funds. Restricted funds relate to income which can only be used for a specific purpose – the income is added to the restricted fund and then the relevant expenditure is set against it. MCDC has a number of restricted funds which relate to asset purchases – in this case, depreciation is charged against the restricted fund.

Moving through the accounts, the donations received were relatively small, including one donation from MCTC to MCDC shown in the Charity column but removed in the Group column.

Grants received by MCDC relate to the Hub and Housing construction, with the hub receiving £90,000 from LEADER and £512,804 from RCGF. The housing received £298,500 from RHF and various smaller grants, and a grant was received towards the cost of employing a development officer. There are also £49,760 of government grants received by MCTC – all of these related to the COVID-19 situation and include the amount of interest paid by the government on behalf of MCTC for the Bounceback Loan taken by MCTC.

In other income, the charity had received rental income from MCTC which was removed on consolidation.

From the point of view of expenditure, the expenditure on raising funds relates to the expenses incurred by the two subsidiaries – from the viewpoint of the charity, the subsidiaries exist to make money for the charity and so the entirety of their costs is a fundraising cost in the group. This includes all the usual expenditure in MCTC and the bank charges in MCTC which were not eligible to be considered part of the cost of building the hydro scheme.

One transaction merits further explanation – the transfer of the earliest stages of the Barr Hydro construction from MCDC to MorVolts. In exchange for the assets constructed by MCDC through a combination of grants and loans, MorVolts re-paid MCDC's CARES loan. This resulted in net unrestricted expenditure of £6,121 being recognised in the charity standalone accounts (since the value of the assets constructed exceeded the repayment figure of the loan). Immediately after the assets were transferred, the balance restricted fund relating to the hydro scheme in MCDC was transferred to unrestricted funds, giving an overall unrestricted surplus for the year of £9,346.

The group as a whole had a loss in the unrestricted funds – this arose as a result of the pre-trading expenses in MorVolts, which had a loss of £72,172. This was not unexpected as the project reached its conclusion.

As a result of donations made to MCDC, MCTC has no tax liability on its profit for the year. MorVolts made a loss and so also has no tax liability.

Looking at the Balance Sheet, there has been a significant increase in Tangible assets. £4.3m of this is assets under construction, which have all been brought to successful completion since the date of these accounts. This balance comprises the work-in-progress on the Hub, Housing and Hydro schemes.

Under current assets, the majority of the assets on the consolidated page belong to the subsidiaries. There is a balance of £12,500 owed by MCTC to MCDC shown in the charity balance sheet, which is eliminated in the consolidated balance sheet. The stocks held by the group relate to the fuel stock held for the petrol pump. The debtors balance due after one year is a bond deposited with Forestry and Land Scotland for the restoration of the land at the end of the working life of the hydro scheme. Starting next year, we will start to place an expense through the accounts to spread the restoration costs over the term of the lease. There is also £26,523 lodged with SSE as security for MorVolts obligations in respect of the connection of the scheme to the grid. The other significant debtor balance is £102,786 of VAT which was due to be recovered from HMRC.

The creditors balance has also increased substantially due to the Triodos and EIF loans held by MorVolts. The EIF loan is spread over a number of years but the Triodos balance of £1,359,899 was due to be repaid by 30 November 2021. This balance is shown as due within one year, although the loan was subsequently refinanced onto a term loan prior to the deadline of 30 November and so the balance due within one year will be substantially smaller in the 2022 accounts.

Our audit work included a review of the "Going Concern" basis for the accounts – in simple terms, is it reasonable to believe the companies and charity will survive the next 12 months' trading. On the basis of detailed cash flow projections, we were satisfied that this is reasonable. Since the hydro scheme has now started generating both electricity and cash for the company, the loss in the 2021 accounts is unlikely to be repeated. The housing and hub projects have also both been brought to successful completion and so can be expected to generate income rather than require significant cash outlays.

Finally, we would like to thank the trustees and officers of MCDC and its subsidiaries for their assistance while we carried out our audit work. We were very pleased with the records and availability of supporting information and look forward to continuing to work with MCDC over the coming years.

Appendix to Summary of Accounts

	Charity				Group			
	Unrestricted 2021	Restricted 2021	Total 2021	2020	Unrestricted 2021	Restricted 2021	Total 2021	2020
Income:								
<i>Donations and legacies</i>								
Donations	7,042	1,500	8,542	115,981	50	1,500	1,550	115,981
Grants	12,500	1,057,260	1,069,760	-	12,500	1,057,260	1,069,760	-
Government grants	-	-	-	-	49,670	-	49,670	-
	19,542	1,058,760	1,078,302	115,981	62,220	1,058,760	1,120,980	115,981
<i>Other trading activities</i>								
MCTC	-	-	-	-	100,158	-	100,158	167,754
<i>Investments</i>								
Bank interest	78		78	79	78		78	79
<i>Other income</i>								
Sundry income	512	-	512	640	4,937	-	4,937	5,237
Rental income	5,290	-	5,290	4,620	790	-	790	120
	5,802	-	5,802	5,260	5,727	-	5,727	5,357
Total income	25,422	1,058,760	1,084,182	121,320	168,183	1,058,760	1,226,943	289,171
Expenditure:								
<i>Raising funds</i>								
Cost of Sales - MCTC	-	-	-	-	79,158	-	79,158	103,762
Staff costs - MCTC	-	-	-	-	15,344	-	15,344	21,479
Admin expenses	-	-	-	-	105,059	-	105,059	38,371
Interest payable	-	-	-	-	854	-	854	-
	-	-	-	-	200,415	-	200,415	163,612
<i>Charitable activities</i>								
Core development activities	30,793	44,434	75,227	47,121	28,393	44,434	72,827	44,721
Marina and pontoons	750	40,986	41,736	40,775	750	40,986	41,736	40,775
COVID-19 Support	-	8,181	8,181	-	-	8,181	8,181	-
Other property/assets			-	7,655			-	7,655
Energy and renewables			-	3,732			-	3,732
Governance			-	5,901			-	5,901
	31,543	93,601	125,144	105,184	29,143	93,601	122,744	102,784
<i>Other expenditure</i>								
Sundry expenditure	-	-	-	797	-	-	-	797
Total expenditure	31,543	93,601	125,144	105,981	229,558	93,601	323,159	267,193
Net (expenditure)/income	(6,121)	965,159	959,038	15,339	(61,375)	965,159	903,784	21,978
Transfers between funds	15,467	(15,467)	-	-	15,467	(15,467)	-	-
Net movement in funds	9,346	949,692	959,038	15,339	(45,908)	949,692	903,784	21,978
Reconciliation of funds:								
Total funds brought forward	49,828	685,912	735,740	720,401	56,467	685,912	742,379	720,401
Net movements in funds	9,346	949,692	959,038	15,339	(45,908)	949,692	903,784	21,978
Total funds carried forward	59,174	1,635,604	1,694,778	735,740	10,559	1,635,604	1,646,163	742,379