

Foundation of Light (a Company Limited by Guarantee)
Group Annual Report and Financial Statements
for the year ended 31 August 2019

Registered Charity Number: 1089333

Registered Company Number: 04243171



Foundation of Light

Annual Report and Group Financial Statements for the year ended 31 August 2019

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Foundation of Light

Trustees and Advisers for the year ended 31 August 2019

Trustees

Kathryn Adie OBE

Sir Timothy Miles Bindon Rice

George Clarke

Paul David Collingwood MBE

Stephen Cram CBE - Treasurer

The Baroness Estelle Morris - Vice Chair of Trustees

Sir Robert Sydney Murray CBE - Chair of Trustees

The Hon. James Ramsbotham CBE

Stewart James Donald (appointed 30th November 2018)

Baroness Tanni Carys Davina Grey-Thompson (appointed 30th November 2018)

Nathan O'Brien (appointed 25th April 2020)

Key Management

Lesley Spuhler OBE

Chief Executive

James Wright

Director of Programmes

Paul Wright

Director of Finance and Support Services (appointed 20th May 2019)

Phil King

Commercial Director (resigned 21st February 2020)

Registered Office

Beacon of Light

Sunderland

SR5 1SN

Banker

Barclays Bank PLC

53 Fawcett Street

Sunderland

SR1 1SD

Independent Auditor

KPMG LLP

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

Legal Advisor

Ward Hadaway

102 Quayside

Newcastle upon Tyne

NE1 3DX

Foundation of Light

Chairman's Statement

I'm pleased to share our 2019 Annual Report, which undoubtedly shows how far we have come in such a short space of time; how we've delivered against our strategy by building and opening not just an iconic facility but also a sustainable future for our people.

We have been on quite a journey, proud of being a successful growing charity and of the important contributions we make to wider society. At a time of uncertainty in the global economy, with health concerns, political upheavals, social divisions and unprecedented concern about the economy, we believe that charity has an important role to play in creating opportunities and community spirit right across Sunderland, South Tyneside and Durham for some of the most vulnerable people and areas in the region. By growing and sustaining an economically strong and responsible charity over the long-term, guided by a clear purpose, we continue to make a positive and significant impact not just to our participants, but to the economy and society in the North East of England.

Throughout our history, we have sought to build relationships, trust and solve important problems and to do this we have had to transform our business to stay relevant - this year in particular represents a milestone, with the public opening of the Beacon of Light.

Our financial performance for the year reflects the challenge of adapting to our new business model, moving from a charity operating out of the Sunderland Stadium of Light to our new home, which brings with it the commercial and operational challenges of running a large public building as a start-up commercial business. Whilst the financial results represent a significant loss, I would like to highlight some key post balance sheet events which have rebuilt our charity to a sustainable level:

- Raised £500,000 in funds from private donors which has been transferred to reserves.
- Secured a grant of £240,000 from Sunderland City Council.
- Through a staff restructuring, new commercial agreements and strict costs controls, we have significantly improved the sustainability of the group.

Of note we give our thanks to Sir Peter Vardy who steps down from our Board of Trustees in the year, your support and experience has been an invaluable part of our journey. I would also like to welcome Nathan O'Brien to the Board, who brings a wealth of commercial experience and knowledge to our team as we shape our commercial and operational business model for the future.

It remains our objective to continue to grow the charity's reach and depth in the region, the catalyst being the Beacon of Light, as the bigger the positive economic and social impact we can make for our participants, the stronger our region becomes.



Sir Robert Sydney Murray CBE
28 August 2020

Foundation of Light

Trustees' Report for the year ended 31 August 2019

The Trustees are pleased to present their annual report together with the audited financial statements of the Charity and Group for the year ended 31 August 2019. This report includes the information required to satisfy the company law requirements to present a Strategic Report and a Directors' Report.

Structure, Governance and Management

Governing Document

Foundation of Light is a company limited by guarantee, governed by its Memorandum and Articles of Association dated November 2001. The liability of the Trustees for the debts and liabilities of the company is limited, and in the event of the company being wound up, would not exceed £1. It is registered as a charity with the Charity Commission (registered number 1089333).

Appointment of Trustees

As set out in the Articles of Association, Trustees are invited to join the Board, however full-time staff members of Foundation of Light are not eligible. From time to time nominees may be invited to become friends of the Foundation or honorary members. Sunderland AFC Limited ('the Club') can appoint one Trustee. At the Annual General Meeting one third of Trustees shall resign by rotation and are then eligible to be re-appointed if nominated.

Trustee Induction and Training

New Trustees receive an induction pack that includes the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the Charity. Trustees are encouraged to attend appropriate external training events to assist them in the undertaking of their role.

Organisation

The Board of Trustees, which shall include no less than six members and not more than fifteen, administers the Charity. The Board meets at least four times a year and there are sub-committees covering Audit and Risk, nominations and remuneration and education and skills which meet more regularly. A Chief Executive is appointed by the Trustees to manage the day-to-day operations of the Charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the Trustees, for operational matters including finance, employment, education, skills and sport related activity. Administrative details for the charity, its Trustees and advisors, are detailed on page 1.

Related Parties

Although Foundation of Light is structurally and financially independent from Sunderland AFC ("the Club"), the Club supports its own registered charity in many ways, not least through its gifts in kind such as match day tickets, prime accommodation and auction prizes, all of which amounted to a value of £24,580 in the current period (2018: £30,625). The Foundation continues to sponsor an Alternative Provision Free School, Beacon of Light School, which resides as a tenant of the Beacon of Light facility in Sunderland.

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Trustees' Report for the year ended 31 August 2019 (continued)

Key Management Pay

The pay of all staff including key management is banded in salary grades dependent on their role. Each grade is reviewed annually and compared to similar roles in the sector. Revisions to pay grades are included in the annual budget setting process and a recommendation is made to Trustees on the level of pay increases to be awarded. The Trustees delegate the approval process to nominations and remunerations committee who have the final say in the pay awards granted for the year.

Risk Management

The Trustees have a risk management strategy which comprises:

- An annual review of the risks the Charity may face;
- The establishment of systems and procedures to mitigate those risks identified in the plan; and
- The implementation of procedures designed to minimise any potential impact on the Charity should those risks materialise.

This work has identified a few major risks which has resulted in improved procedures and contingency plans and has given the impetus for better planning. Particular attention is focused on non-financial risks arising from working with young people such as safeguarding and health and safety. A key element in the management of financial risk is the setting of a regular review through the Audit and Risk Committee and Senior Leadership Team. Changes in both the political and economic climate are identified as major risks in this risk assessment.

Principal Risks and Uncertainties

The Foundation will always face business risks; however, the Trustees have taken steps to mitigate these as far as possible. Reviews are undertaken by the Audit and Risk Committee and the Board of Trustees. Risks identified include:

COVID-19 Pandemic

COVID-19 was added to the Trustee risk register in January 2020 with major risks identified including health and safety of staff and participants and financial losses due to reduced programmes and potential building closure. As a result, business continuity plans were updated, policies and procedures refreshed, and a new COVID-19 specific operational risk assessment completed. All of which continue to be reviewed should there be a return of the pandemic.

Financial Growth of the Charity and the Beacon of Light

With continued success comes the pressure for growth and expansion. In developing the Beacon of Light facility space has been provided for Sport and Play facilities, World of Work delivery and an Alternative Provision Free School. With such a level of expansion comes the risk of being unable to raise adequate funds to run the building and turn an operating profit. A new Operational Board has been introduced to support and advise with the ultimatum of generating surpluses to ensure the ongoing sustainability of the building and the charity.

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Trustees' Report for the year ended 31 August 2019 (continued)

Compliance Risks of Employees and Participants

Delivery teams, due to the nature of the Foundation's mission, work within the disadvantaged communities which we aim to help. The compliance risks have increased due to the operation of the Beacon of Light facility and an increase in number of new staff and volunteers. Risks are in the areas of Health and Safety, Safeguarding and Data Protection:

- Comprehensive health and safety policies are in place to protect staff; regular safety audits are conducted, and expert consultants are utilised where needed. Regular training is in place for staff.
- Whilst the Foundation has always been mindful of data protection legislation, changes in regulations due to GDPR (General Data Protection Regulation) mean more robust policies and procedures are required. Action plans have been developed, policies reviewed, and a new training programme put in place.
- The Foundation has robust Safeguarding procedures in place to ensure we are compliant with local and national agendas. Policies and procedures are in place alongside a Safeguarding assurance framework which is quality checked by the Education and Skills Advisory Committee which is then reported to the Trustees by the committee chair, Baroness Estelle Morris.
- The Foundation has a Business Continuity Plan should any out-of-control factors impact the business.

Loss of key staff

The threat of losing key staff with specialist knowledge, skills and expertise is a risk. Staff turnover is minimised by offering competitive benefits and training opportunities, annual staff surveys, an active culture working group (represented by staff); whilst requiring staff to give adequate notice periods to ensure there are no gaps in the Foundation's ability to deliver services.

Objectives and Activities

The Foundation of Light aims to inspire its community to do more and be more and has again worked with thousands of local people during this period in education and skills programmes, health and wellbeing, and sport and leisure activities.

To do this the Foundation strives to:

- Raise educational attainment; inspire a love and commitment to lifelong learning;
- Increase skills and access to employment opportunities by connecting people to the world of work;
- Enable individuals and families to develop healthier and happier lives; support the development of vibrant and respectful communities;
- Provide more opportunities for inclusive sport and play, inspiring participation and achievement;
- Deliver high standards through a committed and highly skilled workforce and excellent leadership and governance.

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Trustees' Report for the year ended 31 August 2019 (continued)

The Board of Trustees has referred to the Charity Commission general guidance on public benefit when reviewing the aims and objectives of Foundation of Light and is satisfied that they meet the public benefit requirements. Further information within the achievements and performance section of this report provides details of the work done to meet these aims and objectives.

With a multi-skilled staff team of over 120, along with over 120 volunteers and a range of excellent football related and SAFC branded resources, Foundation of Light can be a catalyst in changing the lives of young people and their families in the communities of Sunderland, South Tyneside and County Durham. Foundation of Light not only contributes to educational and skills development but also makes an impact on prominent issues such as health, regeneration, crime, community cohesion and employment using football and sport as the motivator.

Achievements and Performance

The year from 1st September 2018 through to 31st August 2019 was another record breaking one for the Foundation of Light with over 20,000 children, young people and families supported, and in addition an average weekly attendance of 6,000 visitors to the fantastic new facility, the Beacon of Light, in its first year of operation. We also continued to develop outreach in schools, community centres and playing fields in some of the most deprived communities of Sunderland, South Tyneside and Durham.

The Foundation delivered over 40,000 sessions across 40 programmes in areas of education, health and wellbeing, world of work, and sport and play. This included over 2,000 participants with a disability, 30% girls and women, and over 500 families. Over 100 schools were supported, 280 businesses involved, and 150 volunteers contributed over 130 hours a week to charitable activity.

Staff are trained in areas including Youthwork, Primary Teaching, Hospitality, and ICT. New additions to the team included a Hospitality Officer, Digital Manager, Head of Informal and Community Education and Health Coordinator.

Exciting new initiatives introduced in the year included:

- You Only Live Once – a mentoring scheme for young people in partnership with Northumbria Police and the Police and Crime Commissioner. Working with young people aged 8-14 it aims to prevent involvement in crime and reduce anti-social behaviour.
- Extra Time Hubs – for retired and semi-retired people, funded by the EFL Trust and Sport England and launched in January 2019. The group of over 55s have taken part in a broad range of sport and physical activity as well as social activities including ukulele lessons, cookery, bingo and Stadium and Academy tours.
- Get Set Go – a new partnership with Washington MIND. The programme works with people with mental health challenges helping to identify sports and physical activity opportunities to support their wellbeing. It also includes working with groups of veterans providing a social element to support with Post Traumatic Stress Disorder.

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Trustees' Report for the year ended 31 August 2019 (continued)

- The National Citizen Service - a pilot was delivered in September. The programme provides activities around adventure, discovery and social action and will be fully integrated into Foundation of Light programme delivery in the 2019/20 season.
- Holiday Hunger – engaged over 50 participants in a new provision in County Durham ensuring young people have a nutritious start to their day.
- World of Work – the offer has evolved to identify more industry specific qualifications and outcomes rather than the generic employability offer previously. New areas of work have included stewarding, construction, hospitality, customer service and retail.
- Careers – through the Premier League Inspires programme and mapped against the Gatsby benchmark the Foundation is supporting schools to deliver their careers provision using a mixture of work experience, careers talks and enterprise events.
- The Scholarship Programme - now includes Futsal alongside Coaches Academy and football (male and female) increasing its cohort to 118 post 16 young people. Sunderland Regional Talent Centre (for gifted and talented young females) was attended by 67 players per week. Two players from the U16s team progressed into SAFC Ladies.
- The Foundation continued to deliver Premier League Primary Stars, Enterprise and Kicks with 17,000 participants reporting improved understanding of healthy diet choices, 14,000 with an improved opportunity to access sport and 2,500 young people improving their school attendance. Over 1,000 people gained qualifications including maths and English with 76% in eligible programmes going onto education, employment or training.

The Foundation was awarded the Bronze Quality Mark in Youth Work and has rewritten its youth curriculum to meet the needs of the changing landscape of informal education.

It has also supported a variety of campaigns including Black History Month, World Book Day, Food Bank Collections, The Salvation Army Angel Tree, Macmillan Coffee Morning and Nutrient Hydration Week. Also, working in partnership with Sunderland AFC, the partners have signed the Armed Forces Covenant.

Over £4million was raised from valued partners and supporters including over £30,000 from SAFC fans in the Give a Quid Campaign supporting mental health initiatives. Of course, thanks go to all supporters for their contribution. Successful events included the Croatian Cycle Challenge, inaugural Gala Dinner, North East Automotive Expo and Big Bang Stem Event for Primary and Secondary schools.

The Foundation won 14 awards including the Special Community Prize at Sunderland Echo's Portfolio Awards, teaming up to win the 'Uniquely North East' prize alongside Middlesbrough Foundation and Newcastle United Foundation, RICS Regional Award, RICS Project of the Year, North of England 2019 LABC Regional Building Excellence Awards – Best Educational Building; and CEO Lesley Spuhler OBE's significant contribution to the North East was recognised at the inaugural North East Times Impact Awards, where she scooped both the Regional Impact and Outstanding Awards.

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Trustees' Report for the year ended 31 August 2019 (continued)

Financial Review

The results for the Foundation for the year ended 31st August 2019, reflect total income of £3,092,083 (31 August 2018: £2,238,493) and total expenditure of £3,724,182 (31 August 2018: £2,225,177) resulting in net expenditure of £632,099 (31 August 2018: net income £13,316). The net assets of the Foundation are £50,362 (31 August 2018: £682,461).

In the charity, successful fundraising events hosted included: Cycle Challenge; Newcastle Race Day and Lambton Run. New financial supporters of the charity included Northumbria Crime Commissioner and the Tides Foundation with continued commitment from the Premier League Charitable Fund; SpringBoard Trust, Big Lottery Fund, Caterpillar Foundation; Livin; South Tyneside College; the Football Association, St James Place and the three Local Authorities (Sunderland, South Tyneside and Durham).

The results for the group for the year ended 31 August 2019 reflect total income of £3,754,704 (31 August 2018: £9,328,001) and total expenditure of £4,775,419 (31 August 2018: £2,497,977) resulting in net expenditure of £1,020,715, (31 August 2018: £6,830,024 net income). The group results include £337,569 (31 August 2018: £7,030,983) of grants received in the year by Beacon of Light Limited (a wholly owned subsidiary of the Foundation of Light), as a funding contribution towards the construction of the Beacon of Light. In the group accounts this grant has been recognised as income upon receipt, in accordance with the SORP 2015 section 5.27. In the Beacon of Light Limited company accounts, the grant is accounted for on an accrual basis and, as such, is held on the balance sheet as deferred income at the year end. Associated expenditure on the project has been capitalised, and depreciation is charged over the economic useful life of the building.

During the year the group successfully reclaimed over £900,000 of VAT previously paid on the construction of the Beacon and this was received in full in Spring 2020.

Investment Procedures and Policy

At the present time, the reserves of Foundation of Light are held on interest bearing cash deposits in order to meet on-going liquidity requirements. The Trustees have powers to invest the funds as they see fit, as set out in the Memorandum and Articles of Association.

Reserves Policy

The total annual running costs of Foundation of Light (the Charity), assuming current programmes continue, are expected to be £3.5 million (excluding Gift in Kind). A large proportion of the running costs will be met by future grants and contracts which are expected to be received, subject to certain conditions of performance in addition to fundraising activities. The aim is to sustain enough reserves to meet three months running costs of Foundation of Light estimated at £0.75million.

Due to the significant impact of the in-year net expenditure, £0.6M of the charity's reserves have been significantly utilised which presented significant risk around the ongoing financial sustainability of the company. The Trustees have reviewed the strategic business model which resulted in a staff restructuring programme saving £0.2M per annum, which combined with renegotiation of key supplier contracts (£0.2M per annum

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Trustees' Report for the year ended 31 August 2019 (continued)

Reserves policy (continued)

saving), strict cost controls and a significant increase in fundraising activity (£0.74M) will rebuild reserves to the equivalent of three-month running costs of £0.75M for the year to 31st August 2020.

Plans for Future Years

The sole purpose of the Foundation of Light is to improve the lives of our communities. At a time when COVID-19 has affected everyone, austerity measures are impacting the most deprived areas of the North East, anti-social behaviour is on the rise and life expectancies are falling, now more than ever the charity matters. Settling into the Beacon of Light this year has been a huge opportunity for the Foundation and transformative to the charity's operations. Moving from what was a traditional voluntary sector organisation to become a unique social enterprise operating seven days a week, has brought challenges and learnings but most importantly it has enabled the Foundation to grow and help more people.

Its charitable mission remains central to its work, as its facilities, people and high-profile resources engage, challenge and empower participants to become more motivated, energised, included, and ultimately, successful in achieving their personal and group goals.

So, what do the next five years look like?

The Foundation makes no excuses that it wants to be the best in its field; to deliver high quality services for programme participants, donors and other customers. A review of current programmes will ensure the portfolio is fit for purpose while the immediate future will see the Foundation formalise its health and wellbeing strategy; enhance the informal education offer; and introduce a programme addressing behaviours of primary school children. There will be additional programmes through the World of Work curriculum including construction and military preparation.

With Governance at the forefront of today's charitable sector, the Foundation will continue to enhance its practices through a governance review and Trustee strategy day and work has started on improving back office functions through better-quality financial reporting, cross department re-structures and reducing risk through detailed strategic planning. It will continue to be compliant in all aspects of its work with children, young people and vulnerable families. New technologies are key to all aspects of the business.

The Foundation endeavours to bring to life its many successes and stories, through improved marketing and by investing in a PHD student who will consider longer-term meaningful impacts and the social return on investment with a three-year study. Central to the Foundation's work is listening to the needs of its participants and users to help improve their journeys, learning or otherwise. This is critical if the charity is to continue to grow and offer programmes which are central to community need. To do this the Foundation will run several open days to introduce user groups and relaunch a youth forum to engage with the younger generation in a new and more meaningful way.

New strategic partnerships with the police, health partners and the Armed Forces, will serve to improve and enhance existing partnerships with corporate donors as well as its close ties to Sunderland AFC, the Sunderland University, and Sunderland City Council, as the key stakeholders in the region work together to form strong cross-organisational working groups to effectively use resources to tackle key community issues.

Foundation of Light

Trustees' Report for the year ended 31 August 2019 (continued)

Plans for Future Years (continued)

As we come to, what we hope is the end of the COVID-19 pandemic, the Foundation and the Beacon have demonstrated an ability to respond to the changing needs of the community continuing to deliver vital services to those most in need. There are also some valuable lessons that have been learnt that will help shape the future of services. However, one thing remains, and that the Foundation is critical to addressing key societal issues will work hard to continue to offer real value for money by delivering an efficient and effective business plan ensuring every penny raised, or invested, goes further and changes lives for the better.

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding that the group has reported net expenditure of £1,020,715 (2018: net income of £6,830,024) and net cash outflows of £400,165 (2018: cash outflows of £713,877). The group 2019 year end balance sheet has net current liabilities of £515,556 (2018: net assets of £890,272) including cash at bank of £582,505 (2018: £982,670).

Subsequent to the year end, following a fund-raising initiative, £500,000 of private donations have been received. The group also received a £921,735 VAT repayment as disclosed in note 7 of the financial statements. These two significant post year end cash inflows have resulted in the group cash balance increasing to £1,615,401 at 31 July 2020.

The primary external finance of the group is the loan due to the Charity Bank which has an outstanding balance of £1,349,000 as at 31 August 2019 (and reduced to £1,200,000 following a capital repayment in April 2020). Interest on the loan is payable on a monthly basis, no capital repayments are required until May 2023. This loan has two covenants attached, based on interest cover and loan to value, both measured annually at the end of the financial year. At 31 August 2019 the group was in breach of the interest cover covenant due to start-up losses and subsequent to the year end this breach was waived by Charity Bank. This resulted in the classification of the loan as a current liability in the 31 August 2019 balance sheet. There is forecast to be significant headroom in this covenant as at 31 August 2020.

Management have prepared a base case cash flow forecast for the 13-month period ending 31 August 2021 which has been used as their basis of assessing the going concern basis of preparation. Management have also prepared a severe but plausible downside scenario forecast as part of this assessment. The assumptions in the downside scenario forecast include the following assumptions:

- the possibility of a second lockdown within the forecast period, when it is assumed there will be five months in which no commercial income is earned (during the first period of lockdown the business continued to earn commercial income);
- only contracted charitable income has been recognised and therefore this assumes no new charitable income even though the business continues to seek additional sources of income and in fact has recently secured some additional contractual income;
- the use of UK Government's Job Retention Scheme including receipt of the Job Retention Scheme Bonus in 2021.

Both the base case forecast and the severe but plausible downside forecast show that the group and company is expected to be in compliance with the Charity bank lending covenants and will maintain sufficient cash funds to continue to trade. Consequently, the Trustees are confident that the group and the company will have sufficient funds to continue to meet their liabilities as they fall due and for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On behalf of the Trustees



Sir Robert Sydney Murray CBE

28 August 2020

Foundation of Light

Statement of Responsibilities of the Trustees of Foundation of Light in respect of the Trustees' Annual Report and the Financial Statements

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare Financial Statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Trustees must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or, have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Trustees' Report has been prepared to also satisfy the requirements of the Companies Act 2006 to prepare a Strategic Report and a Directors' Report.

Foundation of Light

Independent auditor's report to the members of Foundation of Light Limited

Opinion

We have audited the financial statements of Foundation of Light Limited ("the charitable company") for the year ended 31 August 2019 which comprise the Foundation of Light Statement of Financial Activities, the Foundation of Light Balance Sheet, the Foundation of Light Cashflow Statement, the Group Statement of Financial Activities, the Group Balance Sheet, the Group Cashflow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 August 2019 and of the group's and the charitable company's incoming resources and application of resources, including their income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charitable company or to cease their operations, and as they have concluded that the group and charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustees conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the charitable company will continue in operation.

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Independent auditor's report to the members of Foundation of Light Limited (continued)

Other information

The Trustees are responsible for the other information, which comprises the Chairman's Statement and the Trustees' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Chairman's Statement and the Trustees' Report, which constitutes the strategic report and the directors' report for the financial year, are consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Foundation of Light

Independent auditor's report to the members of Foundation of Light Limited (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Paul Moran". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

28 August 2020

Foundation of Light

Foundation of Light Company Statement of Financial Activities for the year ended 31 August 2019 (incorporating Income and Expenditure account)

	Note	Unrestricted funds	Restricted funds	Total for the year ending 31 August 2019	Total for the 8-month period ending 31 August 2018
		£	£	£	£
Income from:					
Donations and legacies	1a	166,194	29,688	195,882	176,790
Charitable activities	1b	491,854	2,099,966	2,591,820	1,690,109
Other trading activities	1c	301,493	-	301,493	370,333
Investments		2,888	-	2,888	1,261
Total Income		962,429	2,129,654	3,092,083	2,238,493
Expenditure on:					
Raising funds	3(a)	317,313	-	317,313	222,844
Charitable activities	3(c)	701,943	2,704,926	3,406,869	2,002,333
Total Expenditure		1,019,256	2,704,926	3,724,182	2,225,177
Net income/(expenditure)		(56,827)	(575,272)	(632,099)	13,316
Transfers between funds	12	(392,395)	392,395	-	-
Net movement in funds		(449,222)	(182,877)	(632,099)	13,316
Total funds brought forward					
		499,584	182,877	682,461	669,145
Total funds carried forward		50,362	-	50,362	682,461

All gains and losses recognised in the year are included in the Statement of Financial Activities.

All income and expenditure are derived from continuing activities.

There is no difference between the net movement in funds shown above and their historical cost equivalents.

Foundation of Light

Foundation of Light Company Balance Sheet as at 31 August 2019

	Note	31 August 2019 £	31 August 2018 £
Fixed assets			
Property, Plant and Equipment	7	34,209	40,442
Investments	8	2	2
Total fixed assets		34,211	40,444
Current assets			
Debtors	9	1,906,480	1,968,965
Cash at bank and in hand		519,644	678,676
Total current assets		2,426,124	2,647,641
Creditors: amounts falling due within one year	10	(2,409,973)	(656,624)
Net current assets		16,151	1,991,017
Total assets less current liabilities		50,362	2,031,461
Creditors: amounts falling due after more than one year	11	-	(1,349,000)
Net assets		50,362	682,461
The funds of the charity:			
Restricted income funds	12	-	182,877
Unrestricted income funds			
General funds	12	-	249,584
Designated funds	12	50,362	250,000
Total unrestricted income funds		50,362	499,584
Total charity funds		50,362	682,461

The financial statements on pages 15 to 40 were approved by the Trustees on 28 August 2020 and were signed on their behalf by:



Sir Robert Sydney Murray CBE
Trustee

Foundation of Light

Foundation of Light Company Cashflow for the year ended 31 August 2019

	For the year ending 31 August 2019 £	For the 8-month period ending 31 August 2018 £
Net cashflows used in operating activities:	(91,411)	(1,481,983)
Cashflows from investing activities:		
Dividends, interest and rent from investments	2,888	1,261
Purchase of property, plant and equipment	(19,784)	(7,669)
Net cash used in investing activities	(16,896)	(6,408)
Cashflows from financing activities:		
Proceeds from borrowings	-	1,349,000
Capital repayment of finance leases	-	(23,467)
Interest paid on borrowings	(50,725)	(663)
Net cash (used)/generated in financing activities	(50,725)	1,324,870
Change in cash and cash equivalents in the period	(159,032)	(163,521)
Cash and cash equivalents at the beginning of the period	678,676	842,197
Cash and cash equivalents at the end of the period	519,644	678,676
Reconciliation of net movement in funds to net cashflows from operating activities:		
Net movement in funds	(632,099)	13,316
Adjustments for:		
Depreciation charges	26,017	36,698
Amortisation charges	-	11,784
Interest Received/(Payable)	47,837	(601)
Decrease/(Increase) in debtors	62,485	(1,499,045)
Increase/(Decrease) in creditors	404,349	(44,135)
Net cash used in operating activities	(91,411)	(1,481,983)

Foundation of Light

Group Statement of Financial Activities for the year ended 31 August 2019 (incorporating Income and Expenditure account)

	Note	Unrestricted funds	Restricted funds	Total for the year ending 31 August 2019	Total for the 8-month period ending 31 August 2018
		£	£	£	£
Income from:					
Donations and legacies	1a	166,194	29,688	195,882	176,790
Charitable activities	1b	491,854	2,099,966	2,591,820	1,690,109
Other trading activities	1c	626,545	-	626,545	428,858
Investments		2,888	-	2,888	1,261
Beacon of Light Capital Grant Income	1d	-	337,569	337,569	7,030,983
Total Income		1,287,481	2,467,223	3,754,704	9,328,001
Expenditure on:					
Raising funds	3(b)	665,369	-	665,369	495,644
Charitable activities	3(d)	701,946	3,408,104	4,110,050	2,002,333
Total Expenditure		1,367,315	3,408,104	4,775,419	2,497,977
Net expenditure/income		(79,834)	(940,881)	(1,020,715)	6,830,024
Transfers between funds	12	(392,395)	392,395	-	-
Net movement in funds		(472,229)	(548,486)	(1,020,715)	6,830,024
Total funds brought forward		285,309	18,856,618	19,141,927	12,311,903
Total funds carried forward		(186,920)	18,308,132	18,121,212	19,141,927

All gains and losses recognised in the year are included in the Statement of Financial Activities.

All income and expenditure are derived from continuing activities.

There is no difference between the net incoming resources shown above and their historical cost equivalents.

Foundation of Light

Group Balance Sheet as at 31 August 2019

	Note	31 August 2019 £	31 August 2018 £
Fixed assets			
Property, Plant and Equipment	7	18,636,768	19,894,030
Total fixed assets		18,636,768	19,894,030
Current assets			
Debtors	9	1,402,518	836,513
Cash at bank and in hand		582,505	982,670
Total current assets		1,985,023	1,819,183
Creditors: amounts falling due within one year	10	(2,500,579)	(928,911)
Net current (liabilities) / assets		(515,556)	890,272
Total assets less current liabilities		18,121,212	20,784,302
Creditors: amounts falling due after more than one year	11	-	(1,642,375)
Net assets		18,121,212	19,141,927
The funds of the charity:			
Restricted income funds¹	12	18,308,132	18,856,618
Unrestricted income funds			
General funds	12	(237,282)	35,309
Designated funds	12	50,362	250,000
Total unrestricted income funds		(186,920)	285,309
Total charity funds		18,121,212	19,141,927

¹ Of the £18,308,132 restricted income fund balance, £18,308,111 relates to amounts received for the construction of the Beacon of Light facility, which were used during the construction of the building.

The financial statements on pages 15 to 40 were approved by the Trustees on 28 August 2020 and were signed on their behalf by:



Sir Robert Sydney Murray CBE
Trustee

Foundation of Light

Group Cashflow for the year ended 31 August 2019

	For the year ending 31 August 2019 £	For the 8-month period ending 31 August 2018 £
Net cashflows provided by operating activities:	(150,898)	2,219,443
Cashflows from investing activities:		
Dividends, interest and rent from investments	2,888	1,261
Purchase of property, plant and equipment	(201,430)	(4,259,450)
Disposals of Property Assets	-	-
Net cash used in investing activities	(198,542)	(4,258,189)
Cashflows from financing activities:		
Proceeds from borrowings	-	1,349,000
Capital repayment of finance leases	-	(23,468)
Interest paid on borrowings	(50,725)	(663)
Net cash generated/(used) in financing activities	(50,725)	1,324,869
Change in cash and cash equivalents in the period	(400,165)	(713,877)
Cash and cash equivalents at the beginning of the period	982,670	1,696,547
Cash and cash equivalents at the end of the period	582,505	982,670
Reconciliation of net movement in funds to net cashflows from operating activities:		
Net movement in funds	(1,020,715)	6,830,024
Adjustments for:		
Depreciation charges	536,951	36,698
Amortisation charges	-	11,784
Interest received/(payable)	47,839	(601)
Increase in debtors	355,718	(429,553)
Decrease in creditors	(70,691)	(4,228,909)
Net cash provided by operating activities	(150,898)	2,219,443

Foundation of Light

Accounting Policies

The group financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006, applicable accounting standards in the United Kingdom, including the Statement of Recommended Practice: Accounting and Reporting by Charities 2015 (SORP) and the Charities Act 2011. The accounts have been prepared on a going concern basis and the accounting policies have been applied consistently.

Basis of Consolidation

The group financial statements consolidate the results of the Charity and its wholly owned subsidiaries, Beacon of Light Limited and Altruism Limited using accounting policies consistently applied across the group, and after eliminating intra-group transactions.

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding that the group has reported net expenditure of £1,020,715 (2018: net income of £6,830,024) and net cash outflows of £400,165 (2018: cash outflows of £713,877). The group 2019 year end balance sheet has net current liabilities of £515,556 (2018: net current assets of £890,272) including cash at bank of £582,505 (2018: £982,670).

Subsequent to the year end, following a fund-raising initiative, £500,000 of private donations have been received. The group also received a £921,735 VAT repayment as disclosed in note 7 of the financial statements. These two significant post year end cash inflows have resulted in the cash balance increasing to £1,615,401 at 31 July 2020.

The primary external finance of the group is the loan due to the Charity Bank which has an outstanding balance of £1,349,000 as at 31 August 2019 (and reduced to £1,200,000 following a capital repayment in April 2020). Interest on the loan is payable on a monthly basis, no capital repayments are required until May 2023. This loan has two covenants attached, based on interest cover and loan to value, both measured annually at the end of the financial year. At 31 August 2019 the group was in breach of the interest cover covenant due to start-up losses and subsequent to the year end this breach was waived by Charity Bank. This resulted in the classification of the loan as a current liability in the 31 August 2019 balance sheet. There is forecast to be significant headroom in this covenant as at 31 August 2020.

Management have prepared a base case cash flow forecast for the 13-month period ending 31 August 2021 which has been used as their basis of assessing the going concern basis of preparation. Management have also prepared a severe but plausible downside scenario forecast as part of this assessment. The assumptions in the downside scenario forecast include the following assumptions:

- the possibility of a second lockdown within the forecast period, when it is assumed there will be five months in which no commercial income is earned (during the first period of lockdown the business continued to earn commercial income);
- only contracted charitable income has been recognised and therefore this assumes no new charitable income even though the business continues to seek additional sources of income and in fact has recently secured some additional contractual income;
- the use of UK Government's Job Retention Scheme including receipt of the Job Retention Scheme Bonus in 2021.

Both the base case forecast and the severe but plausible downside forecast show that the group and company is expected to be in compliance with the Charity bank lending covenants and will maintain sufficient cash funds to continue to trade. Consequently, the Trustees are confident that the group and the company will have sufficient funds to continue to meet their liabilities as they fall due and for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foundation of Light

Accounting Policies (continued)

Gift in Kind

Gift in kind is received from Sunderland AFC in the form of products and services given freely and staff time donated, as well as from other sources. Where they can be quantified, gift in kind is included within the statement of financial activities as both income and expense.

Income

Voluntary income including donations, gifts and legacies and grants that provide core funding which are general in nature are recognised when there is entitlement, probability of receipt and the amount can be measured with sufficient reliability.

Investment income is recognised on a receivable basis and arises from an interest-bearing deposit account. The Charity only recognise interest on bonds when it is unconditional, and hence all conditions of the bond have been met, and it has matured

Income from charitable activities includes income received under contract or, where entitlement to grant funding is subject to specific performance conditions, is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support performance activities and is recognised where there is entitlement, probability of receipt and the amount can be measured with sufficient reliability.

Donations are recognised when received unless the receipt is probable, when they are recognised as accrued income. Donations and grants received for specific purposes are classed as restricted and are deferred until the Charity is entitled to the funding and has met the conditions set out in the funding agreement.

Beacon of Light capital grant income is funding received by Beacon of Light Limited toward the construction of the Beacon of Light facility. In the group SOFA, capital grants are recognised upon receipt, as required by paragraph 5.27 of the SORP.

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

Expenditure

Expenditure is accounted for on an accruals basis as a liability is incurred and includes irrecoverable VAT as applicable. Contractual arrangements and performance-related grants are recognised as goods or services are supplied. Other grant payments are recognised when a constructive obligation arises resulting in the payment being unavoidable.

- Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities include expenditure associated with the delivery of education activities and include both the direct costs and support costs relating to these activities.
- Governance costs include those incurred in the governance of the Charity and its assets and are primarily associated with constitutional and statutory requirements.
- Support costs include central functions and have been allocated evenly to activity cost categories.

Foundation of Light

Accounting Policies (continued)

Intangible Fixed Assets

The Foundation of Light website and the development of an operational IT system have been classified as intangible fixed assets. Amortisation has been provided on a straight-line basis over the estimated useful life of the assets, with a full month's amortisation charge in the month of completion, at a rate of 33% per annum. The assets have been capitalised at cost, comprising all directly attributable costs required to bring them into working condition.

Tangible Fixed Assets

Individual fixed assets costing £500 or more are capitalised at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis over the estimated useful life of the asset with a full month's depreciation charged in the month of acquisition. Principal rates used are:

Computer Equipment	33%
Buildings	2% - 10%
Fixtures and Fittings	25%

The Beacon is classified under Buildings, as the facility is used by the charity as a functional property to further the charitable objectives of the Charity. The building will be depreciated over its anticipated useful economic life. The anticipated useful economic life is 50 years.

Fundraising

Fundraising income and expenditure are accounted for on an accruals basis and is classified as unrestricted.

Funds

Restricted funds are funds raised or donated for a specific purpose. All other funds are classified as unrestricted.

Surplus funds held are deposited with Barclays Bank and Nationwide to earn interest prior to utilisation by the Foundation.

There are two designated funds; one is to set aside funding to cover any charity wind-up costs if required, and the other is to build a reserve to fund the replacement of fixed assets.

Operating Leases

The charity classifies the lease of minibuses and photocopying equipment as operating leases. Rental charges are charged on a straight-line basis over the term of the lease.

Finance Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Judgements and Key Sources of Estimation Uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The directors do not consider that there are any significant judgements or estimates included in the financial statements.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019

1 Income

(a) Donations and legacies – Parent and Group

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
Gifts, donations and legacies	80,788	-	80,788	1,315
Grants of a general nature from government and charitable foundations (see note 2a)	85,406	-	85,406	127,767
Membership subscriptions and sponsorship	-	29,688	29,688	47,708
	166,194	29,688	195,882	176,790

In the prior period, income from donations and legacies received, comprised of £15,993 unrestricted funds and restricted income of £160,797.

(b) Income from charitable activities – Parent and Group

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8 month period ending 31 August 2018
	£	£	£	£
Sale of services as part of the direct charitable activities	491,854	31,662	523,516	391,854
Contractual payments from government or public authorities	-	574,608	574,608	444,959
Performance related grants where level of income depends on volume of service provided (see note 2b)	-	1,469,116	1,469,116	828,038
Gift in kind	-	24,580	24,580	25,258
	491,854	2,099,966	2,591,820	1,690,109

In the prior period, income from charitable activities received, comprised of £396,112 unrestricted funds and restricted income of £1,293,997.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

1 Income

(c) Other trading activities – Group

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
Fundraising events	74,989	-	74,989	75,173
Sponsorships and lottery	96,912	-	96,912	206,837
Letting arrangements for Property	15,000	-	15,000	87,904
Trading activity	438,604	-	438,604	53,576
Gift in kind	1,040	-	1,040	5,368
	626,545	-	626,545	428,858

In the prior year, income from other trading activities received, comprised solely of £428,858 unrestricted income.

(c) Other trading activities – Charity

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
Fundraising events	74,989	-	74,989	74,826
Sponsorships and lottery	96,912	-	96,912	201,888
Letting arrangements for Property	15,000	-	15,000	87,904
Trading activity	113,552	-	113,552	347
Gift in kind	1,040	-	1,040	5,368
	301,493	-	301,493	370,333

In the prior year, income from other trading activities received, comprised solely of £370,333 unrestricted income.

(d) Beacon of Light Capital Grant Income - Group

In 2014 a wholly owned subsidiary of the Foundation, Beacon of Light Limited, was established for the purpose of constructing and running a new iconic facility, the Beacon of Light. During the year £337,569 (2018: £7,030,983) has been received from several different funders to support the construction. This funding is treated as a deferred capital grant within the Beacon of Light financial statements. However, in accordance with the Charities SORP, this funding has been treated as income on consolidation. Given the size and nature of this funding, it has been separately disclosed and is restricted, as it cannot be used for the general purposes and expenses of the Foundation.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

2 Grants Received

(a) Grants of a general nature received from government and charitable foundations – Parent and Group

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
English Football League Trust	-	55,406	55,406	25,935
Premier League Charitable Fund	-	30,000	30,000	20,000
Ministry of Defence	-	-	-	13,333
Grants and similar resources less than £10,000	-	-	-	68,499
Per note 1a	-	85,406	85,406	127,767

In the prior year, grants of a general nature received from government and charitable foundation, comprised of £127,767 restricted funds.

2 Grants Received (continued)

(b) Performance related grants – Parent and Group

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
Big Lottery Fund	-	119,022	119,022	67,661
Caterpillar Foundation	-	33,716	33,716	45,664
Cestria	-	-	-	2,497
Durham County Council	-	31,671	31,671	-
English Football League Trust	-	49,078	49,078	69,250
Football Association	-	60,000	60,000	25,000
Hays Travel Foundation	-	30,305	30,305	20,203
Karbon Homes	-	49,429	49,429	28,400
Kellet Fund	-	-	-	4,226
Livin	-	53,277	53,277	33,604
SpringBoard	-	145,378	145,378	69,030

Foundation of Light

	Unrestricted	Restricted	For the year ending 31 August 2019	For the 8-month period ending 31 August 2018
	£	£	£	£
St James Place Foundation	-	34,452	34,452	22,493
Tesco Bank	-	39,857	39,857	-
The Premier League Charitable Fund	-	582,719	582,719	371,788
The Tides Foundation	-	12,536	12,536	-
Vera Baird Crime Commissioner	-	47,700	47,700	-
Virgin Money	-	13,333	13,333	26,666
Grants and similar resources < £10,000	-	166,643	166,643	41,556
Per note 1b	-	1,469,116	1,469,116	828,038

In the prior year, performance related grants, comprised of £828,038 restricted funds.

Foundation of Light

3(a) Expenditure on Raising Funds – Charity

	For the year ending 31 August 2019 £	For the 8 month period ending 31 August 2018 £
Cost of seeking donations and grants	215,517	144,032
Fundraising events	59,370	41,641
Sponsorships and lottery	32,611	24,701
Membership scheme	80	1,088
Marketing and publicity	8,695	6,014
Gift in kind	1,040	5,368
	317,313	222,844

All expenditure relates to raising unrestricted funds and hence all expenditure has been allocated to the unrestricted fund. This treatment is also applicable to the prior year.

3(b) Expenditure on Raising Funds –Group

	For the year ending 31 August 2019 £	For the 8 month period ending 31 August 2018 £
Cost of seeking donations and grants	215,517	144,032
Fundraising events	59,370	41,641
Sponsorships and lottery	32,611	24,701
Membership scheme	80	1,088
Other running costs	348,056	272,801
Marketing and publicity	8,695	6,013
Gift in kind	1,040	5,368
	665,369	495,644

All expenditure relates to raising unrestricted funds and hence all expenditure has been allocated to the unrestricted fund. This treatment is also applicable to the prior year.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

3(c) Charitable Activities - Charity

	Sport and Play £	Education £	World of Work £	Health £	2019 £	2018 £
Gift in kind	4,348	19,242	990	-	24,580	30,625
Education activities	829,517	641,887	1,100,799	656,184	3,228,387	1,898,860
Depreciation	6,505	6,504	6,504	6,504	26,017	36,698
Amortisation	-	-	-	-	-	11,784
Support costs	26,680	26,680	26,680	26,680	106,720	13,915
Governance costs	5,291	5,291	5,291	5,292	21,165	10,451
	872,341	699,604	1,140,264	694,660	3,406,869	2,002,333

Expenditure on charitable activities comprised of £701,943 unrestricted (8 month period ending 31 August 2018: £349,306) and £2,704,926 restricted funds (8 month period ending 31 August 2018: £1,653,027).

Expenditure is allocated between the restricted and unrestricted funds based on the project to which it relates; expenditure relating to the generation of unrestricted income such as the sales of sports and play coaching courses is classified as unrestricted expenditure, while expenditure relating to restricted grant funded programme is classified as restricted expenditure.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

3(d) Charitable Activities - Group

Parent and Group	Sport and Play £	Education £	World of Work £	Health £	2019 £	2018 £
Gift in kind	4,348	19,242	990	-	24,580	30,625
Education activities	875,224	687,595	1,146,506	701,895	3,411,220	1,898,860
Depreciation	134,238	134,238	134,238	134,237	536,951	36,698
Amortisation	-	-	-	-	-	11,784
Support costs	26,680	26,680	26,680	26,680	106,720	7,915
Governance costs	7,644	7,645	7,645	7,645	30,579	16,451
	1,048,134	875,400	1,316,059	870,457	4,110,050	2,002,333

Expenditure on charitable activities comprised of £701,946 unrestricted (8 month period ending 31 August 2018: £349,306) and £3,408,104 restricted funds (8 month period ending 31 August 2018: £1,653,027).

Depreciation charges represent the write down of capitalised Beacon of Light building, fit out costs and IT equipment, in addition to outreach centres fixtures and fittings. Running costs such as maintenance, utility and cleaning costs which are incurred by the group, are included within educational activities as these costs are recovered as part of this activity.

Expenditure is allocated between the restricted and unrestricted funds based on the project to which it relates; expenditure relating to the generation of unrestricted income such as the sales of sports and play coaching courses is classified as unrestricted expenditure, while expenditure relating to restricted grant funded programme is classified as restricted expenditure.

3(e) Governance Costs

	Charity for the year ending 31 August 2019 £	Charity for the 8 month period ending 31 August 2018 £	Group for the year ending 31 August 2019 £	Group for the 8 month period ending 31 August 2018 £
Audit fees	10,588	7,500	20,000	13,500
Governance meeting costs	10,576	2,951	10,576	2,951
	21,164	10,451	30,576	16,451

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

4 Staff Costs – Parent and Group

	Year ending 31 August 2019 £	8 month period ending 31 August 2018 £
Staff costs:		
Wages and salaries	2,383,513	1,372,242
Social security costs	188,728	108,154
Other pension costs	63,708	27,096
	2,635,949	1,507,492

One employee received total employee benefits (excluding employer pension costs) for the reporting period, in excess of £60,000 (31 August 2018: one employee). For staff paid over £60,000 pension contributions of £5,825 were made (31 August 2018: £2,617). Key Management detailed on page 1 cumulatively received £217,224 (4 employees) in employee benefits in 2018 (31 August 2018: £147,337 (3 employees))

The Trustees are not entitled to, and did not receive, any remuneration for their services to the Charity (31 August 2018: £nil). Expenses reimbursed amounted to £nil (31 August 2018: £nil).

The Foundation has an Aviva defined contribution pension scheme which is open to all permanent employees after successful completion of their probation period. The Foundation makes a standard contribution of 3% of basic salary on behalf of the members, at a cost of £48,688 (2018: £35,139) in the year. At the period end £6,862 (2018: £4,574) in payable contributions were outstanding. The Foundation has also been required to auto-enrol all eligible employees into a pension scheme since July 2014, as such, all new employees are automatically enrolled into the NEST governmental defined contribution scheme. Employees are required to make a 3% contribution which is matched by the Foundation. The cost of the NEST scheme in 2019 is £15,020 (2018: £9,856). At the year end there were £3,724 (2018: £3,554) payable contributions outstanding.

The monthly average number of persons employed by the group and Charity during the year was 149 (31 August 2018: 136). The average number of full-time staff members was 90 (31 August 2018: 96) and those on part time and casual contracts was 59 (31 August 2018: 40). All staff are employed for the furtherance of the Charity's objectives.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

5 Staff Costs (continued)

Staff employed can be further analysed as follows:

	Year ending 31 August 2019	8-month period ending 31 August 2018
	Number	Number
Delivery Staff	80	105
Match Day Lottery Sellers	25	16
Support and Administration	19	6
Beacon of Light Operations	12	3
Commercial and Marketing	8	3
Directors	4	3
	148	136

In addition to the paid employees detailed above, over 120 volunteers offer their time and skills to the Foundation of Light free of charge, in a wide variety of roles.

6 Net incoming/(outgoing) resources before transfers

Net incoming/(outgoing) resources for the parent and group are stated after charging:

	Charity for the year ending 31 August 2019	Charity for the 8- month period ending 31 August 2018	Group for the year ending 31 August 2019	Group for the 8- month period ending 31 August 2018
	£	£	£	£
Audit fee	10,588	7,500	20,000	13,500
Depreciation	26,017	36,698	536,951	36,698
Amortisation	-	11,784	-	11,784
Operating lease costs:				
- plant and machinery	22,991	6,317	22,991	6,317
Bank Interest	47,837	-	47,837	-
Finance lease interest:				
- plant and machinery	-	664	-	664

£0 depreciation charged in the year related to leased assets (31 August 2018: £36,441).

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

7 Property, Plant and Equipment

Charity	Computer Equipment	Buildings	Fixtures and Fittings	Total
	£	£	£	£
Cost				
As at 1 September 2018	244,634	75,706	208,213	528,553
Additions	19,784	-	-	19,784
As at 31 August 2019	264,418	75,706	208,213	548,337
Accumulated Depreciation				
As at 1 September 2018	219,436	69,375	199,300	488,111
Charge for the Period	18,026	3,215	4,776	26,017
At 31 August 2019	237,462	72,590	204,076	514,128
Net book value				
At 31 August 2019	26,956	3,116	4,137	34,209
At 31 August 2018	25,198	6,331	8,913	40,442

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

7 Property, Plant and Equipment (continued)

Group	Computer Equipment	Buildings	Fixtures and Fittings	Total
	£	£	£	£
Cost				
As at 1 September 2018	421,359	19,592,877	367,905	20,382,141
Additions	41,726	95,840	63,858	201,424
Adjustment ¹	-	(921,735)	-	(921,735)
As at 31 August 2019	463,085	18,766,982	431,763	19,661,830
Accumulated Depreciation				
As at 1 September 2018	219,436	69,375	199,300	488,111
Charge for the Period	83,620	394,720	58,611	536,951
At 31 August 2019	303,056	464,095	257,911	1,025,062
Net book value	160,029	18,302,887	173,852	18,636,768
At 31 August 2018	201,923	19,523,502	168,605	19,894,030

¹ The adjustment arises because of the final assessment and determination of the VAT payable on the construction of the Beacon. This refund was received as a cash receipt after the year end (see also note 9)

8 Investments

The Foundation has a wholly owned subsidiary, Altruism Limited (previously SAFC Community Limited), a company incorporated in England and Wales. The purpose of the company is to operate the commercial trading at the Beacon of Light, predominantly sport facility hire, meetings and events. The net liabilities of the subsidiary as at 31 August 2019 were £253,404 (31 August 2018: net assets of £49,367).

The Foundation also has a wholly-owned trading subsidiary, Beacon of Light Limited, which was established in September 2014. The purpose of the company is to construct and run the Beacon of Light facility. The net liabilities of the subsidiary as at 31 August 2019 were £237,605 (31 August 2018 net liabilities of: £272,120).

Both subsidiaries share the same registered address as the Foundation of Light; Beacon of Light, Stadium Way, Sunderland, SR5 1SN.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

9 Debtors

	Charity 31 August 2019 £	Charity 31 August 2018 £	Group 31 August 2019 £	Group 31 August 2018 £
Trade Debtors	246,103	182,821	310,895	381,890
Amounts due from group undertakings	1,525,433	1,350,000	-	-
Recoverable VAT	-	-	921,735	-
Amounts due from Sunderland AFC Ltd	27,955	9,990	27,955	9,990
Other Debtors	-	-	30,067	18,479
Prepayments and accrued income	106,989	426,154	111,866	426,154
	1,906,480	1,968,965	1,402,518	836,513

Amounts due from group Undertakings relate to inter-company balances and loans with the Charity's two subsidiaries Beacon of Light Ltd and Altruism Ltd and bear no interest.

10 Creditors: amounts falling due within one year

	Charity 31 August 2019 £	Charity 31 August 2018 £	Group 31 August 2019 £	Group 31 August 2018 £
Trade Creditors	405,422	236,366	220,510	411,746
Amounts due to Sunderland AFC Ltd	46,381	122,140	46,381	122,140
Other Creditors	129,063	70,189	129,068	70,189
Accruals and deferred income	480,107	227,929	755,620	324,836
Charity Bank Loan	1,349,000	-	1,349,000	-
	2,409,973	656,624	2,500,579	928,911

Due to the significant charity and group loss reported in the year to 31 August 2019, the Charity Bank loan covenant based on interest cover was breached as at 31 August 2019, as a consequence the loan was repayable on demand at 31 August 2019 under the terms of the agreement, hence the loan has been re-classified to creditors due within one year. The group requested a waiver for the breach of covenant post year end which was accepted and agreed by Charity Bank. The group expects to be in compliance with the covenants at both 31 August 2020 and 31 August 2021.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

Creditors: amounts falling due within one year (continued)

Deferred income can be further analysed as follows:

	Charity for the year ending 31 August 2019	Group for the year ending 31 August 2018
	£	£
Balance brought forward	186,051	216,051
Received in year	2,602,985	2,602,985
Released in year	(2,363,090)	(2,393,090)
Balance carried forward	425,946	425,946

11 Creditors: amounts falling due after one year

	Charity 31 August 2019	Charity 31 August 2018	Group 31 August 2019	Group 31 August 2018
	£	£	£	£
Charity Bank loan	-	1,349,000	-	1,349,000
Accruals and deferred income	-	-	-	293,375
	-	1,349,000	-	1,642,375

The Charity Bank Loan was secured at the end of 2017. It was drawn down in January 2018 and February 2018 to pay capital construction creditors in respect of the Beacon of Light Project. Under the terms of the agreement, the loan is repayable in full, five years after the initial drawdown, in May 2023 subject to a loan covenant based on interest cover and a property loan to value covenant. The loan carries an interest rate of 3% above the bank rate.

Due to the significant charity and group loss reported in the year to 31 August 2019, the Charity Bank loan covenant based on interest cover was breached as at 31 August 2019, as a consequence the loan was repayable on demand at 31 August 2019 under the terms of the agreement, hence the loan has been re-classified to creditors due within one year. The group requested a waiver for the breach of covenant post year end which was accepted and agreed by Charity Bank. The group expects to be in compliance with the covenants at both 31 August 2020 and 31 August 2021.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

12 Analysis of Net Assets

Charity

Fund balances at 31 August 2019 are represented by:	Unrestricted	Restricted	Total
	£	£	£
Tangible Fixed Assets	-	34,209	34,209
Investments	2	-	2
Current Assets	50,360	2,375,764	2,426,124
Creditors: amounts falling due within one year	-	(2,409,973)	(2,409,973)
Creditors: amounts falling due after one year	-	-	-
	50,362	-	50,362

The funds can be further analysed as follows:

	1 August 2018 £	Income £	Expenditure £	Transfers £	31 August 2019 £
General funds	249,584	962,429	(1,019,256)	(192,757)	-
Designated funds					
Contingency fund	250,000	-	-	(199,638)	50,362
Total designated funds	250,000	-	-	(199,638)	50,362
Total unrestricted funds	499,584	962,429	(1,019,256)	(392,395)	50,362
Restricted funds:					
Education	106,501	166,128	(276,874)	4,245	-
World of Work	128,969	354,985	(717,533)	233,579	-
Sport and Play	33,747	1,262,515	(1,438,589)	142,327	-
Health	13,660	246,026	(271,930)	12,244	-
Beacon of Light	(100,000)	100,000	-	-	-
Total restricted funds	182,877	2,129,654	(2,704,926)	392,395	-
Total funds	682,461	3,092,083	(3,724,182)	-	50,362

The General Fund represents the free funds of the charity which are not designated for particular purposes.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

12 Analysis of net assets (continued)

Group

Fund balances at 31 August 2019 are represented by:	Unrestricted	Restricted	Total
	£	£	£
Tangible Fixed Assets	-	18,636,768	18,636,768
Current Assets	-	1,985,023	1,985,023
Creditors: amounts falling due in less than one year	(186,920)	(2,313,659)	(2,500,579)
Creditors: amounts falling due after 1 year	-	-	-
	(186,920)	18,308,132	18,121,212

The funds can be further analysed as follows:

	1 August 2018 £	Income £	Expenditure £	Transfers £	31 August 2019 £
General funds	35,309	1,287,481	(1,367,315)	(192,757)	(237,282)
Designated funds					
Contingency fund	250,000	-	-	(199,638)	50,362
Total designated funds	250,000	-	-	(199,638)	50,362
Total unrestricted funds	285,309	1,287,481	(1,367,315)	(392,395)	(186,920)
Restricted funds:					
Education	106,501	166,128	(276,874)	4,245	-
World of Work	128,969	354,985	(717,534)	233,580	-
Sport and Play	33,747	1,262,515	(1,448,000)	151,759	21
Health	13,660	246,026	(271,930)	12,244	-
Beacon of Light	18,573,741	437,569	(693,766)	(9,433)	18,308,111
Total restricted funds	18,856,618	2,467,223	(3,408,104)	392,395	18,308,132
Total funds	19,141,927	3,754,704	(4,775,419)	-	18,121,212

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

12 Analysis of Net Assets (continued)

During the year, transfers have been made between unrestricted and restricted funds. The Sport and Play department are partially funded by restricted grant income from Trusts and Foundations; however, the majority of funding is from unrestricted funds, particularly trading income from the delivery of courses. Education and World of Work projects are mainly funded by grants from Trust and Foundations, Corporate funding and Public Sector contracts; the balance is funded from unrestricted funds. Health encompasses grant income from Trusts and Foundations and Corporate funding.

A description of each restricted fund is given below:

Education	- includes Scholarship, Inspires and the Big Lottery funded Improving Futures Project.
World of Work	- Family Learning programmes (based in Durham, Sunderland, and South Tyneside), and Back on Track and Back in the Game (employability courses).
Sport and Play	- community football teams, Primary Stars, and in and out of curriculum coaching in Durham, Sunderland, and South Tyneside.
Health and Wellbeing	- includes Making Moves (disability) programmes and leagues, work with the over 55's and men's health projects
Community and Informal Education	- Kicks (youth work provision), You Only Live Once (youth mentoring and the National Citizenship Service.
Beacon of Light	- grant funding received for the construction of the Beacon of light facility, funding capital expenditure on the project and the depreciation charges on the build. This Fund is accounted for in the wholly owned subsidiary of the charity, Beacon of Light Limited.

Foundation of Light

Notes to the Financial Statements for the year ended 31 August 2019 (continued)

13 Financial Commitments

Operating lease commitments

At 31 August the group had total commitments under non-cancellable operating leases, as follows:

Group	31 August 2019			31 August 2018		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£	£	£	£	£	£
Within one year	-	12,958	12,958	-	9,475	9,475
Between one to five years	-	32,395	32,395	-	10,883	10,883
Total	-	45,353	45,353	-	20,358	20,358

14 Post-balance sheet events

The outbreak of the COVID-19 pandemic in early 2020 resulted in the temporary closure of the Beacon of Light in March 2020, as of June 2020 the facility re-opened in a limited capacity. Throughout the pandemic the Foundation has demonstrated an ability to respond to the changing needs of the community continuing to deliver vital services to those most in need. There are no significant non adjusting post balance sheet events arising from this issue

The breach of bank covenant which occurred at 31 August 2019 was waived by the bank after the year end (notes 10 and 11).

15 Related Party Transactions

During the year the Club provided many services to the Foundation. The Foundation received quantifiable gifts in kind from Sunderland AFC Limited of £24,580 (8-month period ending 31 August 2018: £30,625) which has been included as income (from charitable activities) and expenditure (education and fundraising).

The Foundation did not receive donations from Sunderland AFC Limited by way of a percentage of cashback ticket sales, player fines and general donations; this amounted to £ Nil in the financial year (8-month period ending 31 August 2018: £nil). Details of the Foundation's relationship with the Club can be found on page 3 of the Trustees' report.

The Foundation continues to sponsor an Alternative Provision Free School, Beacon of Light School, which received its first intake of pupils in September 2017. Lesley Spuhler OBE (Chief Executive) is a Member of Beacon of Light School and Jamie Wright (Director of Programmes) is a school governor. Income, being recharges of invoices and services in the year totalled £450,804 (8-month period ending 31 August 2018: £155,324).