

## Iona Community AGM 2019 Summarised commentary on 2018 Accounts

### Context

The Iona Community, in common with many charities, records its finances within a number of separate **funds**. Many of these can only be used for specific purposes – they are restricted funds – and within these funds of the Community, several relate to the bricks and mortar of buildings we own or lease.

Of the remaining unrestricted funds, most of our day to day work (on the islands, out of our Glasgow base and beyond through publication sales, wider Community engagement and Resource Group work) is accounted for through our **General Fund**. There are two unrestricted funds which also hold assets, and therefore cannot be 'spent' readily, and our Legacy Fund.

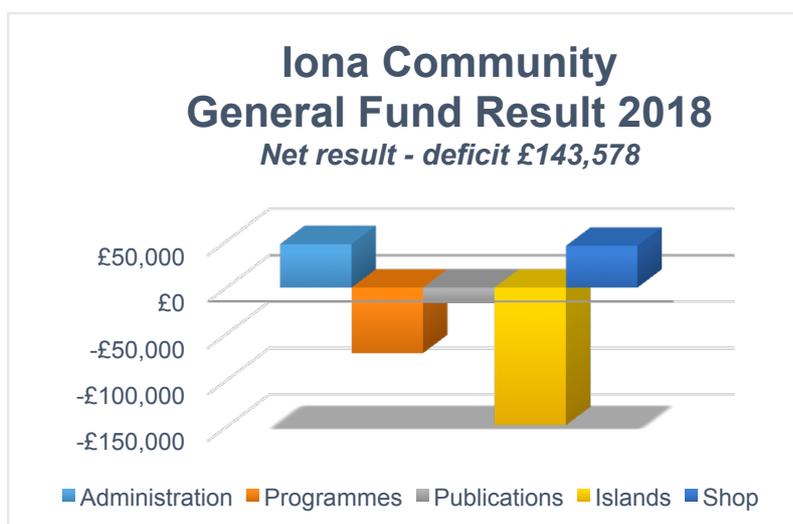
Whilst the most significant transactions in 2018 took place on our restricted Capital Appeal fund and our asset funds, most of this report relates to the **General Fund**.

### What were our constraints in 2018?

With the works at the Abbey underway in 2018, and the Macleod Centre closed, guest charge income on Iona was reduced and consisted solely of income from the programme operated from the St Columba Hotel in autumn. This was the main reason that the budget for 2018 was for a deficit of £133k.

### How did we perform against budget?

- Net operating result on the general fund was a deficit of £143,578
- Programmes including youth, activities in ground floor of Carlton Court and mainland programme incurred a net cost of £57k (budget net cost £51k), with the difference mainly due to net cost of activities on the Ground Floor of Carlton Court
- These programmes are subsidised by membership and general donations net of central administration costs, which yielded a surplus of £47k (budget surplus £25k), with the difference mainly due to lower expenditure across most expenditure headings
- Publications had a net deficit of £17k (budget surplus £5k) – this was after significant one-off adjustments relating to royalties payments and write-offs of obsolete stock, and higher-than-budgeted recharges, so does not reflect an underlying deficit
- The island centres had a deficit of £148k (budget deficit £104k): the majority of this difference relates to the costs of staffing and heat and light on Iona, which was difficult to budget in a first year without residential activity but on both lines turned out to be higher than expected. This has been reflected fully in the 2019 budget.
- Camas operated at a surplus of £3k, through utilisation of the restricted Crerar Fund and the crowdfunding monies from the tree planting appeal in 2017. This latter source is now used up but the Crerar Fund will continue to be utilised where appropriate.
- The shop made a donation of £44k out of profits (budget £5k): income was 35% higher than budget (again, this was difficult to estimate due to different circumstances on Iona), while volunteer costs and recharges were lower than budget
- These figures are all after adjusting for internal transfers and recharges of costs



## What happened with income?

- Income from members and associates (excl. gift aid) reduced overall to £182k (2017 £199k; budget for 2018 £195k). Associates' donations reduced by £19k while members' donations increased by £2k
- Gift aid recovery was up from £41k to £55k, partly due to a catch-up of claims on island income and small donations
- Other donations increased to £240k from £124k, mostly due to legacies of £138k (2017: £7k) while general donations dropped by around £23k (2017 was unusually high)
- Guest charges income was £61k, mostly from Camas

## What about expenditure?

- The main change was a reduction in staff cost of £164k compared to 2017, due in the main to the change in staffing requirements on Iona (c. £142k reduction in costs) as well as catering and other island costs being reduced.
- Against budget, costs on Iona were higher due to heat and light and staffing being higher than anticipated, while costs of central admin were lower than budget across all budget headings.

## Where does this all leave us?

Whilst the net operating result was a deficit of £144k as outlined above, the general fund in the annual accounts shows a deficit of £218k. This is because of adjustments made during the accounts preparation and audit which are in the main a result of differences in timing or the different requirements of the presentation of these accounts. This impacted the movement on the general fund, as shown below:

Adjustment	Impact
General fund operating result	(£144k)
Timing differences	(£43k)
Asset adjustments including transfer to designated asset reserve	(£94k)
One-off staff cost adjustments	(£7k)
Legacy credited directly to general fund	£70k
General fund movement per statutory accounts	<u>(£218k)</u>

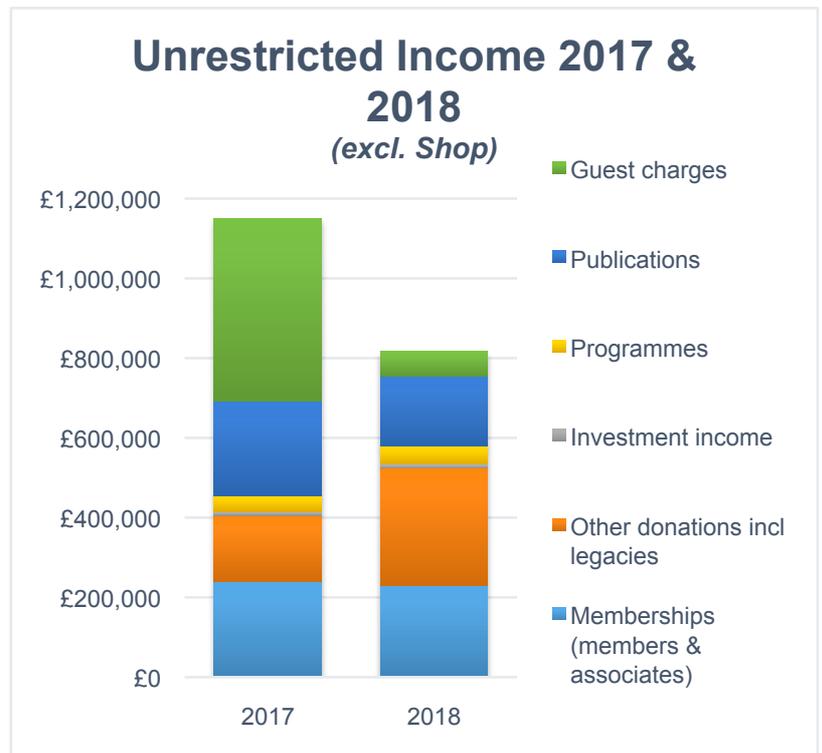
The general fund has a balance of £37k at the end of the financial year. The inclusion of around £120k of fixed assets in the general fund figure last year obscured the real available balance. An adjustment has been made this year to make this presentation clearer.

The majority of our reserves (i.e. unrestricted funds not held as assets) are held in our Legacy Fund – this has a balance of £444k. This is available to use as desired by the trustees. The practice has been to release 10% of the balance each year to general funds, to support the ongoing work of the Community. Our reserves therefore currently stand at approximately 4 months' expenditure, against a target level of 3 months.

In 2019, the budget deficit is £194k. This is higher than 2018, but reflects the reality of the costs of maintaining a presence on Iona with much reduced income, as well as necessary investment in repairs and maintenance in particular as identified by the property group. Without significant additional income, this deficit will need to be funded out of the legacy fund in the short term, with the expectation that the return of guest charges income in 2020 and beyond will result in a surplus which will replenish reserves.

## What about restricted funds?

- Restricted funds grew significantly during the year with a net income before transfers of just under £2.2m
- The main increase was in the Capital Appeal fund, which received donations of £2.2m. Capital expenditure of £700k was made from this fund but remains within restricted funds as an asset reserve
- The Alastair Crerar fund had £34k transferred out to subsidise guest charges at Camas



- The Resource Group balance increased slightly after transfers to the general fund
- Other restricted funds are mostly asset reserve funds which had depreciation charged against them

**Closing position**

Total funds of £5.962m are held at 31 December 2018, of which £1.955m are unrestricted and £4.007m are restricted.

These totals are broken down into types of asset held in the following charts, which highlight the growth in cash held by the capital appeal fund (within 'Other Assets less Liabilities').

