

Company no. 2651777  
Charity no. 1004630

# **Community Foundation Network Report and Financial Statements 31 March 2004**



**Sayer Vincent**  
consultants and auditors



## Community Foundation Network

### Legal and administrative details

For the year ended 31 March 2004

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| <b>Status</b>                                    | The organisation is a charitable company limited by guarantee, incorporated on 7 October 1991 and registered as a charity on 11 October 1991.                                      |  |
| <b>Governing document</b>                        | The organisation was established under a memorandum of association which established the objects and powers of the organisation and is governed under its articles of association. |  |
| <b>Company number</b>                            | 2651777  |  |
| <b>Charity number</b>                            | 1004630  |  |
| <b>Registered office and operational address</b> | Arena House<br>66 - 68 Pentonville Road<br>LONDON<br>N1 9HS  |  |
| <b>Honorary president</b>                        | Sir John Weston  |  |
| <b>Honorary officers</b>                         | George Hepburn<br>David Kenworthy<br>Helen Moss<br>Roy Darlison<br>Anne Boyd<br>Julia Seal<br>Kevin Ryan   | Chair (up to 25 September 2003)<br>Chair (from 26 September 2003)<br>Vice Chair (up to 25 September 2003)<br>Vice Chair (up to 25 September 2003)<br>Vice Chair (from 26 September 2003)<br>Vice Chair (from 26 September 2003)<br>Treasurer |
| <b>Director and company secretary</b>            | Andrew Lane  |  |
| <b>Bankers</b>                                   | Cafcash Ltd<br>Kings Hill<br>West Mallings<br>KENT<br>ME19 4TA   | Bank of Scotland<br>New Uberior House<br>11 Early Grey Street<br>EDINBURGH<br>EH3 9BN  |
| <b>Solicitors</b>                                | Russell-Cooke<br>2 Putney Hill<br>LONDON<br>SW15 6AB   |  |
| <b>Auditors</b>                                  | Sayer Vincent<br>Chartered accountants and registered auditors<br>8 Angel Gate<br>City Road<br>LONDON<br>EC1V 2SJ  |  |

## **Community Foundation Network**

### **Report of the board**

#### **For the year ended 31 March 2004**

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The Board presents its report and the audited financial statements for the year ended 31 March 2004.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with the current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice - Accounting and Reporting by Charities.

### **Introduction**

Established in 1991, Community Foundation Network (CFN) is the national network linking, promoting and supporting over 60 Community Foundations across England, Northern Ireland, Scotland and Wales. It encourages and advances Community Foundation growth as well as providing a range of services and support to individual Community Foundations.

Community Foundations have established themselves as a significant but under recognised national presence in the UK's not-for-profit world. Last year the network disbursed approximately £30m in grants to community groups and, including the recently established Fair Share Trust, has over £100m of funds under management.

The network has recently grown rapidly to the point that we estimate over 90% of the UK is covered by a Community Foundation. Over recent years, the focus has progressively shifted from building national coverage to strengthening the network and leveraging the infrastructure and capabilities that have been built.

Board members for CFN are largely drawn from the staff or trustees of Community Foundations, which helps ensure that the work remains rooted in local needs. Our Honorary President, Sir John Weston, takes an active part in the policy development and communications activity of the organisation. The Honorary Officers, who also form the Executive Committee, are David Kenworthy (Chair), Julia Seal and Anne Boyd (Vice Chairs) and Kevin Ryan (Treasurer).

This year has been another year of significant staff changes, particularly at chief executive level. Marion Webster completed her locum assignment undertaking a strategic review of the organisation and concluding that CFN still had a key independent role to play. Graham Thom left after a few months as her replacement and Clare Brooks stepped up from her role as Network Development Director to take charge through until the end of the year. A new permanent CEO was appointed on 26 April 2004 (post balance sheet event). Stephen Hammersley comes to CFN from the relief and development agency Tearfund where he was the Trading Director.

CFN had three strategic objectives in the year: raising the profile of the Community Foundation movement both locally and nationally; assisting the resourcing and development of Community Foundations throughout the UK and developing and implementing innovative programmes throughout the network.

Without the ongoing support and good relationships established with our major donors CFN would neither be able to sustain nor develop its activities. We are particularly grateful for the support received from the Charles Stewart Mott Foundation, Atlantic Philanthropies, the Active Communities Unit of the Home Office, Esmeé Fairbairn Charitable Foundation, Henry Smith Charitable Trust, The Royal Bank of Scotland Group (conference sponsorship), The Lloyds TSB Foundation, The New Opportunities Fund, The Community Fund and PricewaterhouseCoopers.

## **Community Foundation Network**

### **Report of the board**

#### **For the year ended 31 March 2004**

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##### **Profile raising**

The Community Foundation concept is still little known and understood in the UK. Hitherto the focus has been on building the network to the point where it has a unique national capability to strengthen communities by engaging with donors and delivering grant assistance to local community groups.

During the year the potential of the network was recognised by the New Opportunities Fund (now the Big Lottery Fund) and a £50m, 10-year grants contract was awarded to CFN under the Fair Share programme to build the capacity of some of the most disadvantaged communities in the UK that historically have also had proportionately less lottery funding than their, "fair share". There has been significant learning for all involved in this project and the successful delivery of this project is vital to our objective to raise the profile of Community Foundations in the UK.

On a more tactical front the launch of the new CFN website in the Autumn of 2003 was well received, as have been the regular editions of "The Magazine" focussing on members' achievements and key topical themes relevant to our work.

Strong working relationships have been maintained with others in the sector seeking to raise the profile of philanthropy. These include the Giving Campaign with whom a joint leaflet was published, the Institute of Philanthropy and Philanthropy UK.

CFN staff have also been active participants in European projects for the development and promotion of philanthropy.

##### **Resources and development**

This strategic area of CFN's work is about helping members with their internal organisational operations and development. It has particular emphasis on research, demonstration and dissemination of best practice in fund development and particularly endowment building, as well as profile raising in their own geographic areas.

Recent activities include:

- Co-ordinating the second year of *Time for Growth*, which has involved the management of a programme funded by the Esmée Fairbairn Foundation. This programme challenges ten Community Foundations to raise their endowments by £2 million over a three-year period. Indications are that most participating foundations will meet these targets with the £1m of investment in the network likely to yield an aggregate of over £15m of additional endowment funds.
- Managing web and email networks and forums for the exchange of good practice and learning.
- Providing consultancy services to new and emerging Community Foundations.
- Facilitating and supporting peer learning groups, including Chairs' meetings, Directors' forums, training sessions for finance officers, grant-making staff, fund development staff and support staff.
- Organising training events that have had an increasing focus on fund and board development.

## Community Foundation Network

### Report of the board

#### For the year ended 31 March 2004

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- Continuing co-ordination and promotion of international learning and networking opportunities for members. These have included the King Baudouin Foundation Fellowship Programme, Transatlantic Community Foundation Network, the Community Philanthropy Initiative of the European Foundation Centre and WINGS-CF.
- Continuing management of the *Benchmarking* project which will deliver a comparative tool to map fund development.

### Programmes

#### ***Fair Share Trust Programme***

In July 2003, the Fair Share Trust deed was executed creating the £50m Fair Share Trust. CFN is the Sole Trustee of the Fair Share Trust and is responsible for managing the Fair Share programme to fund projects over a ten-year period through a network of local agents across the UK.

Fair Share represents a new concept in grant making for Community Foundations and the Big Lottery Fund and is a major learning and development opportunity for our network and the wider grant-making world. It will engage local people in decision-making and help communities to access further funding from the Big Lottery Fund and other sources. It will support projects that:

- are run by and for disadvantaged people;
- develop the capacity of communities to seek, obtain and manage funding for projects that reflect local priorities and needs; and
- deliver sustainable outcomes

At the year-end good progress had been made in establishing a local agency network and these agents have started the process of working with local communities (through local panels) to establish priorities for the programme in their neighbourhood.

The planning and early stages of this programme have been challenging for CFN. Working with communities that, by definition, have very low capacity has taken more time and resource than expected, leading to a slower disbursement of funds than initially projected. The Fair Share programme also suffered from the turnover of Chief Executives for CFN and the fact that aspects of the delivery and governance of this programme were new both to CFN and the Big Lottery Fund.

A new Director for the Fair Share Trust was appointed on secondment from the New Opportunities Fund in February 2004, and areas where the performance and resourcing of the programme needed to be improved were identified and advised to the Board Committee overseeing the Fair Share Programme in March 2004.

Immediate action was taken by the Board to address these issues resulting in a project plan that the Board approved and shared with the Protector and the Big Lottery Fund. This plan includes a higher level of engagement from the full CFN Board than had previously been the case.

The role of the Protector is explained more fully in his report, enclosed on page 25 as an appendix to the financial statements.

## Community Foundation Network

### Report of the board

#### For the year ended 31 March 2004

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#### *Information and Communications Technology (ICT) and DIGITS*

This was a significant year for the team responsible for developing and supporting DIGITS, the database software developed to underpin UK Community Foundation operations, as subscriptions and consultancy fees broadly covered core support and operational costs.

Development work has been grant funded and we are grateful to the Community Fund for their support of this critical aspect of our work.

#### **Strategic Alliance with the Association of Charitable Foundations**

We have continued to work closely with the Association of Charitable Foundations, co-operating particularly in areas of training and research.

#### **Finance, reserves and risk analysis**

Financially this year was different from previous years because of the impact of the Fair Share programme. As can be seen from the Statement of Financial Activities and the Balance Sheet, the £50M (ten-year) grant was paid over to CFN during the year. However, it is a separate fund, with its own bank account and its own investment managers. The Fair Share Trust pays a management fee to CFN to cover staff and other costs incurred as a result of the programme.

This meant that we needed to gain additional help with **investment management**. First, in consultation with the New Opportunities Fund, we defined our general investment policy, designed to be very low risk, so that the funds promised in grants to Fair Share partners were guaranteed to remain intact, regardless of stock market movements. Advised by Mercers Investment Consulting, we conducted a tender process in order to appoint investment managers. We then appointed Merrill Lynch Investment Management to manage the largest part of the portfolio: £35M in fixed income investments. We have placed £5M in equities, a further £7.5M in short term "cash equivalent" investments managed by Barclays Global Investors, and the remaining balances are held in a high interest bank account.

Turning to our **unrestricted reserves**, these increased from £3K to £67K during the financial year. This was a significant improvement and was the result of some cost reduction and tight financial management. We were also helped by the kind agreement of the Mott Foundation to transfer £30K from the Mott Fund held by CFN into core costs. In addition to these unrestricted reserves, the Mott Fund was worth £142K at the year-end. But it can only be spent with the agreement of the donor and thus cannot be treated as part of unrestricted funds. The Directors said last year that they would like to build up the level of pure unrestricted funds over the following three years to a level (equivalent to about three months of core costs) that would act as a proper contingency fund, separate from the Mott fund. At current activity and staffing levels, three months is equal to about £90K so we have made good progress towards this objective.

Looking to the future, finances for 2004 – 5 are secure but we need to find additional sources of funds for 2005 – 6 onwards.

The Board continues to maintain a series of **risk management policies**, both for the organisation as a whole and for specific programmes. We have identified the various types of risk; assessed their likelihood and potential impact and established policies to minimise the risks.

## **Community Foundation Network**

### **Report of the board**

**For the year ended 31 March 2004**

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#### **Conclusion**

Notwithstanding the changes of CEO, this has been a significant year for CFN, with the value and potential of the national network built over recent years, being recognised as we were entrusted with the Fair Share Programme. The Fair Share Programme is now well on track with a robust project plan addressing the issues that were identified during the year as needing attention.

The Time for Growth initiative, funded by the Esmée Fairbairn Charitable Foundation, has been hugely significant for the ten participating foundations and has been instrumental in developing their fund development capacity and their profile and significance in their local areas.

The finances of CFN have continued to improve during the course of the year in line with the objective set by the Board in our last report to build up the level of reserve in CFN's unrestricted funds.

#### **Statement of responsibilities of the board**

The board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and charity and the incoming resources and application of resources, including the net income or expenditure, of the group for the year. In preparing those financial statements the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. The board is also responsible for safeguarding the assets of the group and charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Community Foundation Network**

### **Report of the board**

**For the year ended 31 March 2004**

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#### **Members of the board**

Members of the Board, who are also trustees under charity law, who served during the year and up to the date of this report were as follows:

Mohammed Ali (Retired September 2003)  
Anne Boyd  
John Briggs (Appointed September 2003)  
Roy Darlison (Retired September 2003)  
Amanda Delew (Appointed September 2003)  
Balram Gidoomal (Retired September 2003)  
Nigel Griffiths (Appointed September 2003)  
George Hepburn

David Kenworthy  
Felicity McCartney  
Gary Marsh (Appointed September 2003)  
Helen Moss (Retired September 2003)  
Martin Olive  
Kevin Ryan  
Julia Seal  
Gillian Stacey

#### **Appointment of members of the board**

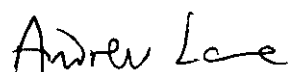
Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2004 was 16 (2003 - 16).

Members of the board have no beneficial interest in the group or charity.

#### **Auditors**

Sayer Vincent were re-appointed as the group and charity's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the board on 23 November 2004 and signed on its behalf by



Andrew Lane - Company Secretary



## **Independent auditors' report**

### **To the Members of**

#### **Community Foundation Network**

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We have audited the financial statements of Community Foundation Network for the year ended 31 March 2004 which comprise the consolidated statement of financial activities, balance sheet and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the board and auditors**

The responsibilities of the board (who are also directors of Community Foundation Network for the purposes of company law) for preparing the report of the board and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of responsibilities of the board. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

#### **Basis of opinion**

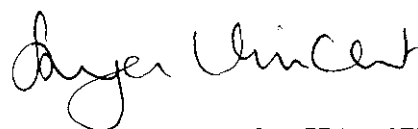
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the group and charitable company's state of affairs as at 31 March 2004 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

7 December 2004



**SAYER VINCENT**  
Chartered accountants & registered auditors  
London

Community Foundation Network

**Consolidated statement of financial activities**  
(incorporating an income and expenditure account)

**For the Year Ended 31 March 2004**

|  | Notes | CS Mott<br>£ | Restricted<br>£ | Unrestricted<br>£ | 2004<br>Total<br>£ | 2003<br>Total<br>£ |
|--|-------|--------------|-----------------|-------------------|--------------------|--------------------|
| <b>Incoming resources</b>                                  |       |              |                 |                   |                    |                    |
| <i>Donations and similar incoming resources</i>            | 3a    | -            | 80,800          | 188,383           | 269,183            | 213,029            |
| <i>Activities in furtherance of the charity's objects:</i> |       |              |                 |                   |                    |                    |
| Grants Receivable  | 3a    | -            | 50,007,539      | -                 | 50,007,539         | 953,312            |
| <i>Activities to generate funds:</i>                       |       |              |                 |                   |                    |                    |
| Subscriptions  |       | -            | -               | 37,430            | 37,430             | 17,225             |
| Fair Share Trust Investment Income                         |       | -            | 1,491,223       | -                 | 1,491,223          | -                  |
| Investment Income and Interest                             |       | -            | 6,432           | 29,382            | 35,814             | 53,528             |
| Other Income   | 3b    | -            | 35,666          | 73,689            | 109,355            | 87,833             |
| <b>Total incoming resources</b>                            |       | -            | 51,621,660      | 328,884           | 51,950,544         | 1,324,927          |
| <b>Resources expended</b>                                  |       |              |                 |                   |                    |                    |
| <i>Cost of generating funds:</i>                           |       |              |                 |                   |                    |                    |
| Fundraising & Publicity                                    | 6     | -            | -               | 4,301             | 4,301              | 4,630              |
| <i>Charitable expenditure</i>                              |       |              |                 |                   |                    |                    |
| Grants payable   | 4     | -            | 439,702         | -                 | 439,702            | 465,051            |
| CS Mott Training   | 5     | -            | 3,000           | -                 | 3,000              | -                  |
| CS Mott CEO Recruitment                                    | 5     | -            | 13,725          | -                 | 13,725             | -                  |
| Local Network Fund   | 5     | -            | 30,075          | -                 | 30,075             | 415,294            |
| Conference - 2003  | 5     | -            | 64,962          | -                 | 64,962             | 14,704             |
| Conference - 2005  | 5     | -            | 1,494           | -                 | 1,494              | -                  |
| WINGS  | 5     | -            | 85,643          | -                 | 85,643             | 15,667             |
| Time for Growth  | 5     | -            | 24,717          | -                 | 24,717             | 46,683             |
| AP Network Services  | 5     | -            | 79,129          | -                 | 79,129             | 88,187             |
| London Community Foundation                                | 5     | -            | -               | -                 | -                  | 11,698             |
| Costs of grant-making                                      | 5     | -            | -               | -                 | -                  | 6,125              |
| Fair Share - CFN   | 5     | -            | 233,331         | -                 | 233,331            | 56,907             |
| Fair Share - Local Partner & Merrill Lynch                 | 5     | -            | 787,183         | -                 | 787,183            | -                  |
| ICT Project  | 5     | -            | 15,500          | 51,073            | 66,573             | 104,206            |
| Member Services  | 5     | -            | -               | 226,399           | 226,399            | 388,916            |
| Management and administration                              | 5     | -            | -               | 12,714            | 12,714             | 11,837             |
| <b>Total charitable expenditure</b>                        |       | -            | 1,778,461       | 290,186           | 2,068,647          | 1,625,275          |
| <b>Total resources expended</b>                            |       | -            | 1,778,461       | 294,487           | 2,072,948          | 1,629,905          |
| <b>Net incoming resources</b>                              |       | -            | 49,843,199      | 34,397            | 49,877,596         | (304,978)          |
| Realised Gain/(Loss) on Investments                        |       | 5,356        | (243,165)       | (417)             | (238,226)          | -                  |
| <b>Net income/(expenditure) for the year</b>               |       | 5,356        | 49,600,034      | 33,980            | 49,639,370         | (304,978)          |
| Unrealised Gain/(Loss) on Investments                      |       | 26,245       | (171,622)       | -                 | (145,377)          | (63,728)           |
| Transfer to Unrestricted Funds                             | 15    | (30,000)     | -               | 30,000            | -                  | -                  |
| Transfer of London CF                                      | 15    | -            | -               | -                 | -                  | (41,052)           |
| <b>Net movement in funds</b>                               |       | 1,601        | 49,428,412      | 63,980            | 49,493,993         | (409,758)          |
| <b>Funds at 1 April 2003</b>                               |       | 140,211      | 841,878         | 2,924             | 985,013            | 1,394,771          |
| <b>Funds at 31 March 2004</b>                              | 15    | 141,812      | 50,270,290      | 66,904            | 50,479,006         | 985,013            |

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in note 15 to the financial statements.

# Community Foundation Network

## Statement of financial activities

(incorporating an income and expenditure account)

For the Year Ended 31 March 2004

|   | Notes | CS Mott<br>£   | Restricted<br>£  | Unrestricted<br>£ | 2004<br>Total<br>£ | 2003<br>Total<br>£ |
|---|-------|----------------|------------------|-------------------|--------------------|--------------------|
| <b>Incoming resources</b>                           |       |                |                  |                   |                    |                    |
| Donations and similar incoming resources            | 3a    | -              | 80,800           | 188,383           | <b>269,183</b>     | 213,029            |
| Activities in furtherance of the charity's objects: |       |                |                  |                   |                    |                    |
| Grants Receivable                                   | 3a    | -              | 107,539          | -                 | <b>107,539</b>     | 953,312            |
| Activities to generate funds:                       |       |                |                  |                   |                    |                    |
| Subscriptions                                       |       | -              | -                | 37,430            | <b>37,430</b>      | 17,225             |
| Investment Income and Interest                      |       | -              | 6,432            | 29,382            | <b>35,814</b>      | 53,528             |
| Other Income  | 3b    | -              | 35,666           | 73,689            | <b>109,355</b>     | 87,833             |
| <b>Total incoming resources</b>                     |       | -              | <b>230,437</b>   | <b>328,884</b>    | <b>559,321</b>     | <b>1,324,927</b>   |
| <b>Resources expended</b>                           |       |                |                  |                   |                    |                    |
| <i>Cost of generating funds:</i>                    |       |                |                  |                   |                    |                    |
| Fundraising & Publicity                             |       | -              | -                | 4,301             | <b>4,301</b>       | 4,630              |
| <i>Charitable expenditure</i>                       |       |                |                  |                   |                    |                    |
| Grants payable                                      | 4a    | -              | 424,702          | -                 | <b>424,702</b>     | 465,051            |
| Projects and Programmes                             |       | -              | 259,715          | 51,073            | <b>310,788</b>     | 759,471            |
| Member Services                                     |       | -              | -                | 226,399           | <b>226,399</b>     | 388,916            |
| Management & Administration                         |       | -              | -                | 12,714            | <b>12,714</b>      | 11,837             |
| <b>Total charitable expenditure</b>                 |       | -              | <b>684,417</b>   | <b>290,186</b>    | <b>974,603</b>     | <b>1,625,275</b>   |
| <b>Total resources expended</b>                     |       | -              | <b>684,417</b>   | <b>294,487</b>    | <b>978,904</b>     | <b>1,629,905</b>   |
| <b>Net incoming resources</b>                       |       | -              | <b>(453,980)</b> | <b>34,397</b>     | <b>(419,583)</b>   | <b>(304,978)</b>   |
| Realised Gain/(Loss) on Investments                 |       | 5,356          | -                | (417)             | <b>4,939</b>       | -                  |
| Unrealised Loss on Investments                      |       | 26,245         | -                | -                 | <b>26,245</b>      | (63,728)           |
| Transfer to Unrestricted Funds                      |       | (30,000)       | -                | 30,000            | -                  | -                  |
| Transfer of London CF                               |       | -              | -                | -                 | -                  | (41,052)           |
| <b>Net movement in funds</b>                        |       | <b>1,601</b>   | <b>(453,980)</b> | <b>63,980</b>     | <b>(388,399)</b>   | <b>(409,758)</b>   |
| <b>Funds at 1 April 2003</b>                        |       | <b>140,211</b> | <b>841,878</b>   | <b>2,924</b>      | <b>985,013</b>     | <b>1,394,771</b>   |
| <b>Funds at 31 March 2004</b>                       | 17    | <b>141,812</b> | <b>387,898</b>   | <b>66,904</b>     | <b>596,614</b>     | <b>985,013</b>     |

# Community Foundation Network

## Balance sheets

31 March 2004

|   | Note | The group<br>2004<br>£ | 2003<br>£      | The charity<br>2004<br>£ | 2003<br>£      |
|---|------|------------------------|----------------|--------------------------|----------------|
| <b>Fixed assets</b>   |      |                        |                |                          |                |
| Tangible fixed assets   | 9    | 8,067                  | 14,495         | 8,067                    | 14,495         |
| Fixed asset investments   | 10   | <u>48,571,714</u>      | <u>146,238</u> | <u>141,812</u>           | <u>146,238</u> |
|   |      | <u>48,579,781</u>      | <u>160,733</u> | <u>149,879</u>           | <u>160,733</u> |
| <b>Current assets</b>   |      |                        |                |                          |                |
| Debtors & prepayments   | 11   | 25,076                 | 17,039         | 25,076                   | 17,039         |
| Cash at bank and in hand  |      | <u>1,984,549</u>       | <u>901,891</u> | <u>516,804</u>           | <u>901,891</u> |
|   |      | 2,009,625              | 918,930        | 541,880                  | 918,930        |
| <b>Current liabilities: amounts falling due within one year</b> | 12   | <u>110,400</u>         | <u>94,650</u>  | <u>95,145</u>            | <u>94,650</u>  |
| <b>Net current assets</b>                                       |      | <u>1,899,225</u>       | <u>824,280</u> | <u>446,735</u>           | <u>824,280</u> |
| <b>Net assets</b>   | 18   | <u>50,479,006</u>      | <u>985,013</u> | <u>596,614</u>           | <u>985,013</u> |
| <b>Funds</b>  | 15   |                        |                |                          |                |
| Restricted funds  |      |                        |                |                          |                |
| Restricted income funds   |      | 50,270,290             | 841,878        | 387,898                  | 841,878        |
| CS Mott expendable fund   | 17   | 141,812                | 140,211        | 141,812                  | 140,211        |
| Unrestricted funds  |      | <u>66,904</u>          | <u>2,924</u>   | <u>66,904</u>            | <u>2,924</u>   |
| <b>Total funds</b>  |      | <u>50,479,006</u>      | <u>985,013</u> | <u>596,614</u>           | <u>985,013</u> |

Approved by the board on 23 November 2004 and signed on its behalf by



David Kenworthy - Chair

## Community Foundation Network

Draft: 16 November 2004 14:51

## Consolidated Cashflow Statement

For the year ended 31 March 2004

|  | 2004<br>£            | 2003<br>£        |
|--|----------------------|------------------|
| <b>Net Incoming Resources For The Year</b>                   | <b>49,877,596</b>    | <b>(304,978)</b> |
| Interest Received  | (35,814)             | (53,528)         |
| Fair Share investment income                                 | (1,491,223)          | -                |
| Depreciation of Tangible Fixed Assets                        | 12,298               | 11,537           |
| Transfer of London Community Foundation funds                |                      | (41,052)         |
| (Increase) / Decrease in Debtors                             | (8,037)              | 14,296           |
| Increase / (Decrease) in Creditors                           | 15,750               | (207,639)        |
| <b>Net Cash Inflow / (Outflow) From Operating Activities</b> | <b>48,370,570</b>    | <b>(581,364)</b> |
| <b>Returns on Investments and Servicing of Finance</b>       |                      |                  |
| Interest Received  | 35,814               | 53,528           |
| Fair Share investment income received as cash                | 1,031,345            | -                |
| <b>Capital Expenditure and Financial Investment</b>          |                      |                  |
| Payments to acquire tangible fixed assets                    | (5,870)              | (8,129)          |
| <b>Gross purchases of investments</b>                        | <b>(103,237,333)</b> | <b>-</b>         |
| <b>Gross sales of investments</b>                            | <b>55,680,863</b>    | <b>-</b>         |
| <b>Less Cash held in investment portfolio</b>                | <b>(792,731)</b>     | <b>-</b>         |
| <b>Increase / (Decrease) in Cash</b>                         | <b>1,082,658</b>     | <b>(535,965)</b> |

## Reconciliation of Net Cash Flow to Movement in Net Cash

|                               | 2004<br>£ | 2003<br>£ |
|-------------------------------|-----------|-----------|
| (Decrease) / Increase in Cash | 1,082,658 | (535,965) |
| Net Cash at 1 April 2003      | 901,891   | 1,437,856 |
| Net Cash at 31 March 2004     | 1,984,549 | 901,891   |

The reason for the apparently high amount of trading is that most of the portfolio is held in fixed interest securities. The nature of this market is such that it is often beneficial to buy and sell short term securities to maximise interest income. There is no commission on such transactions.

## **Community Foundation Network**

### **Notes to the financial statements**

#### **For the year ended 31 March 2004**

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##### **1. Accounting policies**

- a) The financial statements have been prepared under the historical cost convention (with the exception of investments which are at valuation) and in accordance with applicable accounting standards and the Companies Act 1985. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in October 2000).

These financial statements consolidate the results of the charitable company and its wholly-controlled subsidiary Fair Share Trust on a line by line basis. A separate statement of financial activities, including an income and expenditure account, for the charitable company is also included.

- b) Voluntary income received by way of subscriptions, donations and gifts to the charity is included in full in the statement of financial activities when receivable. Intangible income is recognised as an incoming resource where the provider of the service has incurred a financial cost. Volunteer time is not included in the financial statements.
- c) Grants are recognised in full in the statement of financial activities in the year in which they are receivable.
- d) Income generated from the supply of goods or services is included in the statement of financial activities in the period in which the supply is made.
- e) Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund. Investment income on restricted funds is treated either as restricted or unrestricted depending on the wishes of the original donor.
- f) Unrestricted funds are donations and other income received or generated for charitable purposes.
- g) Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.
- h) Management and administration costs of the charity relate to the costs of running the charity such as the costs of meetings, audit and statutory compliance, and include any costs which cannot be specifically identified to another expenditure classification.
- i) Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, which is 3 years. Items of equipment are capitalised where the purchase price exceeds £300. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.
- j) The charitable company makes payments to defined contribution pension schemes on behalf of employees. The contributions are treated as an expense in the year in which they are payable. The charity has no other obligation under these schemes.
- k) Costs of generating funds relate to the costs incurred by the charity in raising funds for the charitable work.
- l) Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

## Community Foundation Network

### Notes to the financial statements

#### For the year ended 31 March 2004

##### 1. Accounting policies (continued)

- m) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the lease duration.
- n) Grants payable are bursaries paid to community foundations in line with specific agreement with donors and after formal application to and decision by the Board.

##### 2. Taxation

The charity is exempt from corporation tax under section 505 of the Income and Corporation Taxes Act 1988 as all its income is applied to charitable purposes.

##### 3a. Donations and grants receivable

|                                       | Restricted        | Unrestricted   | 2004<br>Total            | 2003<br>Total    |
|---------------------------------------|-------------------|----------------|--------------------------|------------------|
|                                       | £                 | £              | £                        | £                |
| Children & Young People's Unit        | 21,900            | -              | <b>21,900</b>            | 370,801          |
| C S Mott Foundation                   | -                 | 163,383        | <b>163,383</b>           | 188,029          |
| C S Mott Foundation - Board Training  | 17,075            | -              | <b>17,075</b>            | -                |
| C S Mott Foundation - CEO Recruitment | 13,725            | -              | <b>13,725</b>            | -                |
| Atlantic Philanthropies               | -                 | -              | -                        | 300,500          |
| Home Office - Active Community Unit   | -                 | 25,000         | <b>25,000</b>            | 25,000           |
| Community Fund                        | -                 | -              | -                        | 57,533           |
| Gulbenkian Foundation                 | -                 | -              | -                        | 7,500            |
| CS Mott Foundation (WINGS)            | 75,039            | -              | <b>75,039</b>            | 83,578           |
| Conference Sponsorship                | 10,600            | -              | <b>10,600</b>            | 33,400           |
| New Opportunities Fund                | 49,900,000        | -              | <b>49,900,000</b>        | 100,000          |
| Lloyds TSB                            | 25,000            | -              | <b>25,000</b>            | -                |
| Henry Smith                           | 25,000            | -              | <b>25,000</b>            | -                |
|                                       | <u>50,088,339</u> | <u>188,383</u> | <u><b>50,276,722</b></u> | <u>1,166,341</u> |

##### 3b. Other income

|                              | Restricted    | Unrestricted  | 2004<br>Total         | 2003<br>Total |
|------------------------------|---------------|---------------|-----------------------|---------------|
|                              | £             | £             | £                     | £             |
| Conference fees              | 35,666        | -             | <b>35,666</b>         | -             |
| Management fees              | -             | -             | -                     | 64,352        |
| Miscellaneous                | -             | 12,811        | <b>12,811</b>         | 11,223        |
| ICT Training and Consultancy | -             | 60,878        | <b>60,878</b>         | 12,258        |
|                              | <u>35,666</u> | <u>73,689</u> | <u><b>109,355</b></u> | <u>87,833</u> |

# Community Foundation Network

## Notes to the financial statements

For the year ended 31 March 2004

### 4a. Grants payable

| (i) Development grant funds                              | 2004          | 2003          |
|--|---------------|---------------|
|  | Total<br>£    | Total<br>£    |
| Community Foundation Network - Transfer to Core Costs    | 30,000        | -             |
| Greater Bristol Foundation                               | 5,000         | -             |
| Bishop of Guildford's Foundation                         | 2,500         | -             |
| Worcestershire Community Foundation                      | 3,000         | -             |
| Bedfordshire & Luton Community Foundation                | 750           | -             |
| County Durham Foundation                                 | 2,000         | -             |
| Wiltshire & Swindon Community Foundation                 | 1,000         | -             |
| Shropshire & Telford Community Foundation                | 1,000         | -             |
| Community Foundation for Suffolk                         | 2,000         | -             |
| Cambridgeshire Community Foundation                      | 2,000         | -             |
| Community Foundation Network National Conference         | (2,310)       | 8,400         |
| Derbyshire Community Foundation                          | 3,000         | 3,000         |
| York & North Yorkshire Community Foundation              | 2,724         | 3,000         |
| Somerset Community Foundation                            | -             | 2,000         |
| Lincolnshire Community Foundation                        | -             | 1,000         |
| Community Foundation for Bournemouth, Dorset and Poole   | -             | 1,500         |
| Herefordshire Community Foundation                       | -             | 4,000         |
| Halton Community Foundation                              | -             | 1,200         |
| Scottish Community Foundation                            | 500           | 3,000         |
| Powys Community Foundation                               | -             | 2,499         |
| Hampshire Community Foundation                           | 1,300         | 2,000         |
| North East London Community Foundation                   | -             | 1,500         |
| Cornwall Community Foundation                            | -             | 3,000         |
| Oxford Community Foundation                              | -             | 1,015         |
| Northants Community Foundation                           | -             | 2,000         |
| Fermanagh Community Foundation                           | -             | 1,600         |
| Craven Community Foundation                              | -             | 1,800         |
| Leicestershire, Leicester & Rutland Community Foundation | -             | 1,827         |
| Sefton Community Foundation                              | -             | 2,433         |
| Gloucestershire Community Foundation                     | -             | 2,000         |
| Community Foundation for Calderdale                      | -             | 3,000         |
| Berkshire Community Foundation                           | -             | 8,000         |
| South Yorkshire Community Foundation                     | -             | 2,550         |
| Other grants   | 66            | 3,002         |
|  | <b>54,530</b> | <b>65,326</b> |



**Community Foundation Network**

**Notes to the financial statements**

**For the year ended 31 March 2004**

**4a. Grants payable (continued)**

|   | <b>2004</b>    | <b>2003</b>    |
|---|----------------|----------------|
|   | <b>Total</b>   | <b>Total</b>   |
|   | <b>£</b>       | <b>£</b>       |
| <b>(ii) The PricewaterhouseCoopers Fund</b> |                |                |
| 2003 Conference Sponsorship                 | <b>10,000</b>  | -              |
| Hertfordshire Community Foundation          | -              | 5,000          |
| Tyne & Wear Community Foundation            | -              | 10,000         |
| Milton Keynes Community Foundation          | -              | 5,000          |
|   | <b>10,000</b>  | <b>20,000</b>  |
| <b>(iii) Time for Growth</b>                | <b>£</b>       | <b>£</b>       |
| Wiltshire Community Foundation              | <b>33,333</b>  | 33,333         |
| Essex Community Foundation                  | <b>40,000</b>  | 38,000         |
| Scottish Community Foundation               | <b>39,690</b>  | 37,800         |
| South Yorkshire Community Foundation        | <b>39,146</b>  | 37,834         |
| Cumbria Community Foundation                | <b>35,620</b>  | 32,080         |
| Hertfordshire Community Foundation          | <b>30,000</b>  | 37,000         |
| Heart of England Community Foundation       | <b>37,105</b>  | 17,140         |
| Fermanagh Community Foundation              | <b>32,237</b>  | 32,237         |
| Derbyshire Community Foundation             | <b>40,685</b>  | 41,792         |
| County Durham Foundation                    | <b>32,356</b>  | 37,509         |
|   | <b>360,172</b> | <b>344,725</b> |

## Community Foundation Network

### Notes to the financial statements

**For the year ended 31 March 2004**

#### 4a. Grants payable (continued)

|   | <b>2004<br/>Total<br/>£</b> | <b>2003<br/>Total<br/>£</b> |
|---|-----------------------------|-----------------------------|
| <b>(iv) Fairshare</b>                                     |                             |                             |
| South Yorkshire Community Foundation                      | -                           | 3,000                       |
| The Birmingham Foundation                                 | -                           | 3,000                       |
| Solihull Community Foundation                             | -                           | 1,000                       |
| Community Foundation for Bournemouth, Dorset<br>and Poole | -                           | 1,000                       |
| Greater Bristol Community Foundation                      | -                           | 1,000                       |
| Country Durham Foundation                                 | -                           | 1,000                       |
| Nottinghamshire Community Foundation                      | -                           | 1,000                       |
| Bedfordshire and Luton Community Foundation               | -                           | 1,000                       |
| Lincolnshire Community Foundation                         | -                           | 1,000                       |
| Telford & Wrekin Community Foundation                     | -                           | 1,000                       |
| Wiltshire & Swindon Community Foundation                  | -                           | 1,000                       |
| Sefton Community Foundation                               | -                           | 4,000                       |
| Community Foundation for Greater Manchester               | <b>15,000</b>               | 7,000                       |
| Community Foundation for Tyne & Wear                      | -                           | 2,000                       |
| North East London Community Foundation                    | -                           | 1,000                       |
| Derbyshire Community Foundation                           | -                           | 2,000                       |
| Essex Community Foundation                                | -                           | 2,000                       |
| North West London Community Foundation                    | -                           | 1,000                       |
| Cleveland Community Foundation                            | -                           | 1,000                       |
|   | <b>15,000</b>               | <b>35,000</b>               |
| <b>Total Grants to External Organisations</b>             | <b>439,702</b>              | <b>465,051</b>              |

Community Foundation Network

Notes to the financial statements

For the year ended 31 March 2004

5. Charitable expenditure (excluding grants payable)

|   | Staff costs<br>and<br>consultancy<br>£ | Office and<br>running costs<br>£ | Profile &<br>publicity<br>£ | Management<br>fees<br>£ | Atlantic<br>Philanthropies<br>Development<br>Grant<br>£ | Audit fees<br>£ | DIGITS support<br>& development<br>£ | 2004<br>Total<br>£ | 2003<br>Total<br>£ |
|---|--|----------------------------------|-----------------------------|-------------------------|---|-----------------|--------------------------------------|--------------------|--------------------|
| CS Mott Training                            | -                                      | 3,000                            | -                           | -                       | -   | -               | -                                    | 3,000              | -                  |
| CS Mott CEO Recruitment                     | 13,725                                 | -                                | -                           | -                       | -   | -               | -                                    | 13,725             | -                  |
| Local Network Fund                          | 9,309                                  | 12,328                           | -                           | 3,500                   | -   | 4,938           | -                                    | 30,075             | 415,294            |
| Conference - 2003                           | -                                      | 64,962                           | -                           | -                       | -   | -               | -                                    | 64,962             | 14,704             |
| Conference - 2005                           | -                                      | 1,494                            | -                           | -                       | -   | -               | -                                    | 1,494              | -                  |
| WINGS                                       | 81,643                                 | -                                | -                           | 4,000                   | -   | -               | -                                    | 85,643             | 15,667             |
| Time for Growth                             | -                                      | 14,717                           | -                           | 10,000                  | -   | -               | -                                    | 24,717             | 46,683             |
| AP Network Services                         | 35,679                                 | 31,450                           | -                           | 12,000                  | -   | -               | -                                    | 79,129             | 88,187             |
| London Community Foundation                 | -                                      | -                                | -                           | -                       | -   | -               | -                                    | -                  | 11,698             |
| Costs of grant-making                       | -                                      | -                                | -                           | -                       | -   | -               | -                                    | -                  | 6,125              |
| Fair Share - CFN Costs                      | 114,521                                | 99,261                           | 5,425                       | 11,124                  | -   | 3,000           | -                                    | 233,331            | 56,907             |
| Fair Share - Local Partners & Merrill Lynch | -                                      | 787,183                          | -                           | -                       | -   | -               | -                                    | 787,183            | -                  |
| ICT project                                 | 46,608                                 | 14,442                           | -                           | -                       | -   | -               | 5,523                                | 66,573             | 104,206            |
| Member services                             | 176,853                                | 90,925                           | 29,602                      | (40,981)                | (30,000)  | -               | -                                    | 226,399            | 388,916            |
| Management and administration               | 4,301                                  | 1,538                            | -                           | -                       | -   | 6,875           | -                                    | 12,714             | 11,837             |
| <b>2004 Total</b>                           | <b>482,639</b>                         | <b>1,121,300</b>                 | <b>35,027</b>               | <b>(357)</b>            | <b>(30,000)</b>   | <b>14,813</b>   | <b>5,523</b>                         | <b>1,628,945</b>   | <b>1,160,224</b>   |

**Community Foundation Network**

**Notes to the financial statements**

**For the year ended 31 March 2004**

**6. Fundraising and publicity**

|                            | Restricted<br>£ | £            | Total<br>£   | Total<br>£   |
|----------------------------|-----------------|--------------|--------------|--------------|
| Salaries and pension costs | <u>-</u>        | <u>4,301</u> | <u>4,301</u> | <u>4,630</u> |

**7. Staff costs and numbers**

|                       | 2004<br>£      | 2003<br>£      |
|-----------------------|----------------|----------------|
| Salaries and wages    | 347,004        | 422,343        |
| Social Security Costs | 38,993         | 42,607         |
| Pension contributions | 27,676         | 23,992         |
| Other staff costs     | <u>57,290</u>  | <u>62,743</u>  |
|                       | <u>470,962</u> | <u>551,685</u> |

One employee earned between £60,000 and £70,000 in the year. Their employer pension contributions were £6,200. In the previous year no employee earned more than £50,000. The average weekly number of employees (full-time equivalent) during the year was as follows:

|                               | 2004<br>No. | 2003<br>No. |
|-------------------------------|-------------|-------------|
| Direct charitable expenditure | 9.8         | 13.00       |
| Fundraising and publicity     | 0.10        | 0.25        |
| Management and administration | <u>0.10</u> | <u>0.25</u> |
|                               | <u>10.0</u> | <u>13.5</u> |

**8. Net incoming resources for the year**

This is stated after charging:

|                                  | 2004<br>£ | 2003<br>£    |
|----------------------------------|-----------|--------------|
| Depreciation                     | 12,298    | 7,460        |
| Operating lease rentals          | 45,767    | 54,600       |
| Auditors' remuneration:          |           |              |
| ▪ Audit                          | 14,813    | 6,000        |
| ▪ Other services                 | -         | 4,383        |
| ▪ Under accrual in previous year | <u>-</u>  | <u>3,940</u> |

Community Foundation Network

Notes to the financial statements

For the year ended 31 March 2004

9. Tangible fixed assets

| The group and charity    | Furniture & Equipment<br>£ |
|--------------------------|----------------------------|
| <b>Cost</b>              |                            |
| At the start of the year | 53,833                     |
| Additions in year        | 5,870                      |
| Disposals in year        | -                          |
| At the end of the year   | 59,703                     |
| <b>Depreciation</b>      |                            |
| At the start of the year | 39,338                     |
| Charge for the year      | 12,298                     |
| Disposals in year        | -                          |
| At the end of the year   | 51,636                     |
| <b>Net book value</b>    |                            |
| At the end of the year   | <u>8,067</u>               |
| At the start of the year | <u>14,495</u>              |

10. Fixed asset investments

|   | The group         |                 | The charity    |                 |
|---|-------------------|-----------------|----------------|-----------------|
|   | 2004              | 2003            | 2004           | 2003            |
|   | £                 | £               | £              | £               |
| <i>Listed Investments and CAF funds</i> |                   |                 |                |                 |
| Market value at the start of the year   | 146,238           | 209,966         | 146,238        | 209,966         |
| Additions at historic cost              | 103,237,333       | -               | -              | -               |
| Disposals at book value                 | (55,919,090)      | -               | (30,671)       | -               |
| Net unrealised gain / (loss)            | <u>(145,377)</u>  | <u>(63,728)</u> | <u>26,245</u>  | <u>(63,728)</u> |
| Market value at the end of the year     | <u>47,319,104</u> | <u>146,238</u>  | <u>141,812</u> | <u>146,238</u>  |
| Accrued interest on portfolio           | 459,879           | -               | -              | -               |
| Cash held in investment portfolio       | <u>792,731</u>    | <u>-</u>        | <u>-</u>       | <u>-</u>        |
| Total value at the end of the year      | <u>48,571,714</u> | <u>146,238</u>  | <u>141,812</u> | <u>146,238</u>  |
| Historic cost at the year end           | <u>47,548,913</u> | <u>205,338</u>  | <u>200,000</u> | <u>205,338</u>  |

Losses can arise because much of the portfolio is in fixed interest bonds. These bonds are bought for their yield and on occasions capital losses occur which are more than offset by higher income.

# Community Foundation Network

## Notes to the financial statements

For the year ended 31 March 2004

### 11. Debtors

|                        | The group     |               | The charity   |               |
|------------------------|---------------|---------------|---------------|---------------|
|                        | 2004          | 2003          | 2004          | 2003          |
|                        | £             | £             | £             | £             |
| Prepayments & deposits | 9,750         | 15,614        | 9,750         | 15,614        |
| Sundry debtors         | 15,326        | 1,425         | 15,326        | 1,425         |
|                        | <u>25,076</u> | <u>17,039</u> | <u>25,076</u> | <u>17,039</u> |

### 12. Creditors : Amounts falling due within one year

|                                   | The group      |               | The charity   |               |
|-----------------------------------|----------------|---------------|---------------|---------------|
|                                   | 2004           | 2003          | 2004          | 2003          |
|                                   | £              | £             | £             | £             |
| Trade creditors & deferred income | 70,557         | 42,567        | 40,759        | 42,567        |
| Accruals                          | 33,500         | 20,333        | 33,500        | 20,333        |
| Social security and other taxes   | 6,343          | 31,750        | 6,343         | 31,750        |
| Due to subsidiary undertaking     | -              | -             | 14,543        | -             |
|                                   | <u>110,400</u> | <u>94,650</u> | <u>95,145</u> | <u>94,650</u> |

### 13. Board's expenses

19 members of the board (2002 - 14) received:

|                                  | 2004         | 2003         |
|----------------------------------|--------------|--------------|
|                                  | £            | £            |
| Reimbursement of travel expenses | 15,321       | 16,635       |
| Ex-Chairman's employer's fees    | <u>2,938</u> | <u>5,875</u> |

The Ex-Chairman's employer's fees represents compensation, approved by the Charity Commission, made to the Ex-Chairman's employer (Community Foundation Serving Tyne & Wear and Northumberland) in respect of his work as a trustee of Community Foundation Network.

### 14. Operating lease commitments

The group and charity had annual commitments at the year end under operating leases expiring as follows:

|             | 2004               | 2003     |
|-------------|--------------------|----------|
|             | Land and buildings |          |
|             | £                  | £        |
| 2 - 5 Years | <u>44,000</u>      | <u>-</u> |

Community Foundation Network

Notes to the financial statements

For the year ended 31 March 2004

15. Movements in funds

|   | At 1 April<br>2003<br>£ | Incoming<br>Resources<br>£ | Outgoing<br>Resources<br>£ | Adjustments<br>£ | At 31 March<br>2004<br>£ |
|---|-------------------------|----------------------------|----------------------------|------------------|--------------------------|
| <b>Restricted income funds:</b>           |                         |                            |                            |                  |                          |
| CS Mott Training                          | -                       | 17,075                     | 3,000                      | -                | 14,075                   |
| CS Mott Recruitment                       | -                       | 13,725                     | 13,725                     | -                | -                        |
| Lloyds TSB                                | -                       | 25,000                     | -                          | -                | 25,000                   |
| Henry Smith                               | -                       | 25,000                     | -                          | -                | 25,000                   |
| Time for Growth                           | 477,375                 | 6,432                      | 371,516                    | -                | 112,291                  |
| Time for Growth Evaluation                | 10,000                  | -                          | 5,000                      | -                | 5,000                    |
| Benchmarking                              | 13,342                  | -                          | 8,374                      | -                | 4,968                    |
| Development Grants Fund                   | 70,188                  | -                          | 54,530                     | -                | 15,658                   |
| Atlantic Philanthropies                   | 130,597                 | -                          | 79,129                     | -                | 51,468                   |
| Local Network Fund                        | -                       | 21,900                     | 21,900                     | -                | -                        |
| Fairshare - CFN Costs                     | 8,093                   | -                          | (58,531)                   | -                | 66,624                   |
| Fairshare - Investment                    | -                       | 51,391,223                 | 1,094,044                  | (414,787)        | 49,882,392               |
| Wings                                     | 67,911                  | 75,039                     | 85,643                     | -                | 57,307                   |
| PricewaterhouseCoopers                    | 22,000                  | -                          | 10,000                     | -                | 12,000                   |
| Conference 2003                           | 18,696                  | 46,266                     | 64,962                     | -                | -                        |
| Conference 2005                           | -                       | -                          | 1,494                      | -                | (1,494)                  |
| ICT Project                               | 15,500                  | -                          | 15,500                     | -                | -                        |
| Fixed Asset Fund                          | 8,176                   | -                          | 8,176                      | -                | -                        |
| <b>Total restricted income funds</b>      | <b>841,878</b>          | <b>51,621,660</b>          | <b>1,778,461</b>           | <b>(414,787)</b> | <b>50,270,290</b>        |
| <b>CS Mott restricted expendable fund</b> | <b>140,211</b>          | <b>-</b>                   | <b>-</b>                   | <b>1,601</b>     | <b>141,812</b>           |
| <b>Total restricted funds</b>             | <b>982,089</b>          | <b>51,621,660</b>          | <b>1,778,461</b>           | <b>(413,186)</b> | <b>50,412,102</b>        |
| <b>Total unrestricted funds</b>           | <b>2,924</b>            | <b>328,884</b>             | <b>294,487</b>             | <b>29,583</b>    | <b>66,904</b>            |
| <b>Total funds</b>                        | <b>985,013</b>          | <b>51,950,544</b>          | <b>2,072,948</b>           | <b>(383,603)</b> | <b>50,479,006</b>        |

- a) The adjustment for Fairshare - Investment is the realised and unrealised investment losses for the year.
- b) The adjustment for CS Mott Restricted Expendable Endowment Fund consists of an agreed £30,000 sale of investments (transferred to unrestricted funds), offset by an unrealised investment gain of £26,245 and a realised gain of £5,356.
- c) The adjustment on unrestricted funds consists of £30,000 transferred from the CS Mott Expendable Endowment Fund, which was offset by net losses on investments.

## Community Foundation Network

### Notes to the financial statements

For the year ended 31 March 2004

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#### 16. Purposes of restricted funds

|  |   |
|--|---|
| Development Grants Fund                  | This fund is to provide bursaries to support the development of individual community foundations.   |
| CS Mott Training Fund                    | The CS Mott Foundation made a grant to assist with training programmes aimed at boards of trustees of community foundations.  |
| CS Mott Recruitment Fund                 | The CS Mott Foundation made a grant to assist with meeting the costs of recruiting the new Chief Executive.   |
| Lloyds TSB Foundation                    | Lloyds TSB made a grant to cover costs that will be incurred in 2004 - 5 developing our member services.  |
| Henry Smith Foundation                   | The Henry Smith Foundation made a grant to assist with establishing community foundations in the West Midlands. The work programme started in April 2004.   |
| Fair Share Trust Fund                    | The Fair Share Trust was established with money from the New Opportunities Fund, to help some of the most deprived communities in the UK improve their quality of life.   |
| WINGS Fund                               | The CS Mott Foundation has made a grant to support the WINGS (Worldwide Initiative for Grantmaker Support) Fund, by funding the salary of the WINGS Director and associated costs.  |
| PricewaterhouseCoopers Fund              | PricewaterhouseCoopers has asked Community Foundation Network to work with them in inviting selected community foundations to make grants on their behalf.  |
| Costs of Grant-making                    | The Calouste Gulbenkian Foundation granted a sum of money to Community Foundation Network to undertake an evaluation of the costs of grant-making by community foundations.   |
| Time for Growth Evaluation               | The Calouste Gulbenkian Foundation granted a sum of money for evaluation of the Time for Growth programme.  |
| Benchmarking                             | This fund represents a contribution to the costs of a benchmarking project on the work of community foundations.  |
| Conference 2003                          | The CFN conference, in September 2003, was specifically sponsored by a number of organisations. Their sponsorship, and the conference costs, are treated as a restricted fund.  |
| Conference 2005                          | The next CFN conference, in May 2005, will also be specifically sponsored by a number of organisations. Their sponsorship, and the conference costs, are treated as a restricted fund. Income will be received to cover the costs already incurred. |
| Atlantic Philanthropies Network Services | Atlantic Philanthropies have made a grant to support CFN's development of network services, including our work to enable new Community Foundations to establish themselves.   |



## Community Foundation Network

### Notes to the financial statements

For the year ended 31 March 2004

#### 16. Purposes of restricted funds (continued)

|                    |  |
|--------------------|--|
| ICT Project        | This project, funded largely by The Community Fund, is improving the level of expertise in community foundations in the use of information technology, and is funding the development of DIGITS grantmaker database software.            |
| Time for Growth    | Esmée Fairbairn Foundation previously gave a grant of £1million to be used towards specific development in 10 community foundations over a three year period.  |
| Local Network Fund | Community Foundation Network was awarded the contract to manage the Local Network Fund, by the Children and Young People's Unit of the Department for Education and Skills. The costs in 2003 - 4 were for the final stages of our work. |

#### 17. CS Mott expendable fund

This fund was established from accumulated income arising from the CAF/Mott Endowment Challenge Grant Programme to be treated as a reserve and used only by agreement with the donors on the long term development of Community Foundation Network, and to create investment income in the short term.

#### 18. Analysis of group net assets between funds

|                                    | Restricted funds<br>£ | CS Mott<br>endowment fund<br>£ | Unrestricted funds<br>£ | Total funds<br>£  |
|------------------------------------|-----------------------|--------------------------------|-------------------------|-------------------|
| Tangible fixed assets              | -                     | -                              | 8,067                   | 8,067             |
| Fixed asset investments            | 48,429,902            | 141,812                        | -                       | 48,571,714        |
| Net Current Assets                 | 1,840,388             | -                              | 58,837                  | 1,899,225         |
| <b>Net assets at 31 March 2004</b> | <b>50,270,290</b>     | <b>141,812</b>                 | <b>66,904</b>           | <b>50,479,006</b> |

## **Appendix - Report of the Protector, The Fair Share Trust**

### **For the year ended 31 March 2004**

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I was appointed Protector of the Fair Share Trust on 19 May 2003. Pursuant to the Trust Deed constituting the Fair Share Trust I am required to prepare a statement for publication by the Trustee (The Community Foundation Network "CFN") in its annual report explaining the Protector's function, how it has been exercised and, if appropriate, identifying any areas of administration which require improvement and the steps to be taken by the Trustee to effect such improvement.

The function of the Protector is to ensure that the Trustee administers the Trust properly and to protect the Trust property. The Trust property consists of a portfolio of investments which were derived from the gift to the Trust by the Big Lottery Fund of £50 million. If necessary the Protector must report matters of serious concern to the Big Lottery Fund or the Charity Commission. The Protector therefore has a "watch-dog" role and must monitor the Trustee and prevent it from abusing its powers and breaching its duties. More positively, the Protector must seek to ensure, as far as possible, that the Trust is administered in accordance with the terms of the Trust Deed and can give or withhold consent or approval to the exercise of certain powers by the Trustee.

The Fair Share programme is ambitious. The Trustee is required to distribute money by way of grant out of its trust property for the Objects in 71 localities (called "Fair Share Areas") in the United Kingdom. The Fair Share Areas have been identified as areas suffering considerable deprivation which have previously received less National Lottery funding than other areas within the United Kingdom. Each area is allocated a fixed percentage of the trust fund and all money is required to be distributed within a 10 year period. By the second anniversary of the Trust, as far as possible, £5 million must be distributed.

The Objects of the Trust are to promote community capacity building and urban and rural regeneration. The permitted methods of achieving the Objects are widely drawn. The Trust Deed also contains an "expression of wishes" of the Big Lottery Fund (that the Trustee may have regard to) that sets out the guiding principles that the Big Lottery Fund wish to be observed.

All of this requires the Trustee to establish an elaborate and effective infrastructure within a demanding timetable to enable distribution of all Trust monies during the life time of the Trust. This requires a continuity and consistency of management of the process both within CFN and in the localities.

Since my appointment, I have had meetings with senior executives of CFN, attended meetings of CFN's Fair Share sub-committee and also of the board of directors of CFN. I have visited Fair Share Areas in Bristol, Glasgow, Northumberland, Solihull and West Lancashire. I have also had meetings with the Big Lottery Fund to discuss progress.

In the above context and in line with my duty to identify any areas of administration of the Trust which in my opinion require improvement, I have advised CFN that additional resources should be committed to the programme and that steps should be taken by the Board to ensure that Fair Share is embedded as a core activity of CFN. Specifically:-

- The Board of CFN, rather than a sub-committee with delegated powers, should be more clearly engaged in owning the delivery of the programme.
- Clearer lines of responsibility and personal accountability should be established throughout CFN, with job descriptions and organisation charts updated accordingly.
- An improvement in the monitoring and evaluation framework within which CFN and its agents are working, specifically ensuring clarity amongst agents concerning the outcomes required by the programme.

## **Appendix - Report of the Protector, The Fair Share Trust**

### **For the year ended 31 March 2004**

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- Resourcing, particularly staffing levels, need to be monitored more closely to ensure that it is adequate to meet the changing needs of the programme.
- More accurate, timely and relevant management information provision.

I have brought these shortcomings to the attention of senior executives and the Board of CFN. The detailed steps necessary to address these issues have been included in a project plan prepared by the current Chief Executive of CFN, Stephen Hammersley, who took up office on 26 April 2004. This plan has been accepted by the CFN board and has been discussed with the Big Lottery Fund. The implementation of this plan may involve amendments to the Trust Deed that the Protector may be required to approve. Such amendments will need to be completed within two years of the date of the Trust Deed because it is clear that CFN is not going to be able to distribute £5million within that

I should also note that there are a number of matters that need to be regularized under the Trust Deed in relation to delegations by the Trustee prior to my appointment as Protector. I regard these matters as subsidiary to the main issues set out above.

Despite my concerns I am sure that under appropriate leadership, and with the delivery of the project plan, the Objects of the Fair Share Trust can be satisfactorily implemented by CFN. Considerable individual efforts have been made by many talented individuals within CFN and their local agents but, without the whole hearted commitment of the board of CFN, those individual efforts cannot compensate for the more fundamental weaknesses. I look forward to writing a more positive report

Mark Nicholls  
Protector, Fair Share Trust