



Foundation  
Scotland

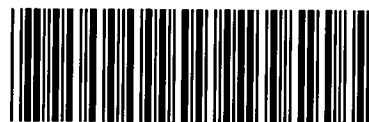
Foundation Scotland  
15 Calton Road  
Edinburgh  
EH8 8DL

Company Limited by Guarantee  
Company No. SC152949

Registered Charity  
Scottish Charity No. SC022910

# Annual Report and Accounts For the year ending 31 March 2020

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For the year ending 31 March 2020

## **Report of the Board of Trustees**

The Trustees, who are also directors of The Charity for the purpose of the Companies Act, present their annual report together with the financial statements for The Charity for the year ended 31 March 2020, which are prepared to meet the requirements for a directors' report and financial statements for Companies Act purposes.

The financial statements comply with the Charities and Trustee Investment [Scotland] Act 2005 and the Charities Accounts [Scotland] Regulations 2006 [as amended] the Companies Act 2006, and the Statement of Recommended Practice ['SORP'] applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK [FRS102] effective 1 January 2015 [Charity SORP].

For the year ending 31 March 2020

## Chair's report

At the time of writing, Scotland is officially still in a state of lockdown in response to the national emergency arising from the COVID-19 pandemic. In these unprecedented times, the role played by Foundation Scotland in supporting our communities is more vitally required and more relevant than ever before and Foundation Scotland is better placed than ever before to deliver on that role based on a number of developments put in place during 2019/20.

The power of being an independent grant making charity, with a firm financial position and access to unrestricted funds, has allowed us to react quickly and flexibly to the current national emergency by setting up our Response Recovery and Resilience (RRR) fund. Through this we have provided grants from our own funds in the very first weeks of the pandemic, before taking over the role as primary distributor for the National Emergencies Trust (NET) in Scotland, with total grant making expected to exceed £5M alongside our normal grant making activity which has continued as business as usual.

Under the leadership of our Chief Executive Giles Ruck, the executive team has done an exceptional job, which has been recognised both internally by the Board and externally at national level.

During 2019/20, in a collaborative and inclusive process involving both executive staff and trustees, we have revised our long term strategic vision and ambitions and are well on the way to designing operational models to achieve supporting outcomes aligned to these commonly shared ambitions.

We have agreed a Foundation Scotland Vision

### **Our vision is of confident, thriving, resilient communities across Scotland**

Which we seek to achieve through a series of ambitions which are underpinned by outcomes

- **Supporting communities to shape their future with the capacity and resources to deliver it**
- **Harnessing finance for investment into communities**
- **Working at the heart of transformational philanthropy**
- **Sharing knowledge gained from experience to inform policy and practice**
- **Achieving excellence through our people, practice and systems**

This vision and ambitions were designed to provide Foundation Scotland with a clear strategic direction for the future, which reflected our past achievements and how we wished to grow. This strategy was shaped to be applicable and deliverable across the range of possible external scenarios that we foresaw and indeed have proven to be equally relevant in the current situation which we could not foresee. An independent evaluation of the impact of our RRR fund grant making by the Scottish Community Development Centre, highlighted the importance of developing and supporting community leadership and collective organisation through community anchor organisations, which are areas where Foundation Scotland has made a successful contribution across Scotland in recent years. Foundation Scotland's ability to convert finance into impactful grant making at speed and with accuracy into the communities where it is needed most has been tested during COVID-19 and has been found to be extremely effective.

Through 2019/20 there have been a number of other enabling strands of work aligned to our ambitions. We have been reviewing our investment profile and developing options for socially responsible investments which reflect our affinity and close working relationship with the renewable energy industry. We have continued work to prepare for the integration of Resilient Scotland into the Foundation, which will be finalised in 2022, but is already a practical reality with the staff effectively operating as a single team. This integration will complement the Foundation Scotland suite of offers with the addition of a well-established and hugely respected social enterprise arm.

Against the backdrop of a likely recession and continued volatility in the investment markets, Foundation Scotland have been in the fortunate position of being able to give staff assurance on the viability of the Foundation and the security of their employment. This has been made possible through previous financial prudence, expert investment and the generous unrestricted donations of philanthropists who highly value the contribution made by the Foundation to Scotland's communities.

Looking ahead we intend to continue to work hard to achieve our vision and strategic ambitions, we will take learning from our operations during COVID-19, looking to emerge as an even stronger, more efficient and more effective supporter and developer of community resilience and use our experience to help shape new approaches and policies in the new normal which lies beyond the pandemic.

Finally I would like to recognise the enormous contribution made over many years from our former Chair Tom Ward and trustees Jimmy McCulloch and Ella Simpson who are responsible for Foundation Scotland being able to achieve what it has done and in having the potential for the further growth we wish to see in the future.

Barry Sillers, Chair

For the year ending 31 March 2020

## CEO's report

The pace of change was rapid during the tail end of the financial year. Colleagues adapted quickly to 'working differently, working digitally' as society moved into working from home, juggling home and work life pressures in new ways. Thanks to their dedication and expertise we kept all our funding programmes live, with flexibility for funded projects to alter their delivery approach and timescales, while we added the 'RRR Fund' in response to the C19 pandemic. At the time of writing we have delivered an emergency response and are planning for next phases. We also paid attention to building new relationships with external partners, reflecting the idea that existential threats have the power to forge collaborative partnerships necessary to accelerate progress. Thank you to all colleagues for stepping up to this enormous challenge, and in reshaping internal and external relationships to achieve impact.

Looking back, we helped bring some fantastic projects to life in Scotland over the past year. Funding reached some 2,700 charities, social enterprises, and community projects during the year. Each represents an incredible range of human experience and showcases many of the ways we can help to build a stronger, more resilient, Scotland.

We continued our work on building endowment funding, as a long-term part of the Foundation's financial structure. The model of establishing a donor advised fund under our roof has gained momentum. Funds set-up on behalf of individuals, families, and community bodies, plus growth in capital markets, has led to the endowment value doubling every four-years over the last 12-year period.

Our endowment-related activities during the year included the following.

- Offering a small capital sum to match a donation from clients, as an incentive to establish a new endowment fund. This proved successful, establishing new endowment funds for individuals with a Scotland-wide focus, with local communities for their immediate area, and in, addition, the beginning of a Caithness-wide endowment fund.
- Groundwork in five communities on creating a community endowment, aiming to build these with multiple income sources and working with the leaders of local development bodies, on Mull and Iona, in Strontian, the Kyle of Sutherland, Highland Perthshire and Applecross.
- Discussion with the regulator, OSCR, about a routine approach to revitalising dormant charitable trusts. Together we noted a successful collaboration between the Charity Commission and community foundations in England which has identified and, where relevant, put charitable assets back to effective use. We aim to establish a Scotland-specific approach in the coming year.
- Setting-up legacies for individuals, concerned about lasting charitable support in Glasgow and in Aberdeen.

The Strengthening Communities conference, led by Highland and Islands Enterprise, provided a platform to explore financial developments. We delivered a keynote session on innovative community finance, exploring endowments and loans with delegates.

The integration journey with colleagues in Resilient Scotland has begun to build better understanding of the impact of loan finance. We began to look beyond the first ten-years of Resilient's life, seeded by the National Community Lottery Fund, toward options for re-capitalisation from multiple funding sources.

We are refining our ethical policies, specifically with regard to our approach to responsible investment.. A trustee-led seminar, with related research of investment managers and their approaches to environmental, societal and governance factors, refined our intended approach.

We worked with UK Community Foundations (UKCF), a leadership body for the community foundation movement, on several projects during the year. Of note, we supported the development of a new body, the National Emergencies Trust (NET). This had origins in the London Emergencies Trust (LET), a pop-up organisation, activated in emergency scenarios to co-ordinate the raising and distribution of mainly voluntary funds in support of people affected, such as following the 7/7 London bombings and the Grenfell Tower fire.

For the year ending 31 March 2020

NET became a permanent organisation during the year, with an understanding that a partnership with the UK's community foundations would enable deep community reach for funding distribution. While NET mobilised modest funds relating to flooding in the wake of Storm Ciara their more significant role was due to come, in the shape of the C19 pandemic, and in particular its impact on the most vulnerable of society due to confinement of the entire population and economic downturn.

Glasgow played host to the UKCF conference, held in various UK cities every two years. We last organised the conference in Scotland in 2005, and were delighted to host it again, welcoming over 300 delegates. Themes ranged from the technical to the societal, and always focussed on making a positive impact. However, the underlying conference focus on building relationships between peer community foundations was repaid through our collective response on, and sharing learning from, funding communities during the C19 pandemic.

Looking ahead, while we don't know all the ways in which C19 will reshape our lives, we do know that fast but thoughtful adaptation will be the new normal, coupled with a sharper focus on the lessons learned. Recent experience has shown us that we can go paperless, we can implement new systems swiftly, and we can build new and effective relationships within and outwith the Foundation, all from the confines of our own home. Thank you to colleagues, funding clients, partners – and critically – the leaders of projects funded in the last year for helping the Foundation to deliver on our vision of confident, thriving, resilient communities across Scotland.

Giles Ruck, Chief Executive Officer

For the year ending 31 March 2020

## About Foundation Scotland

We were established in 1992 as the Scottish Community Foundation before changing our name to Foundation Scotland in 2012. Throughout that time, we have been committed to addressing the challenges faced by individuals and communities in Scotland. We bring donors and local communities together supporting people to direct their giving to issues and causes that are important to them and to where it is really needed.

We are recognised for our ability to combine knowledge, finance, and the expertise to engage successfully with a community. This blend lies at the heart of our role. We enable funders to support the building blocks of a community – grassroots groups, charities, anchor organisations and enterprises. We focus on communities of place, and of interest.

We have been doing this for over twenty years. We are trusted by over 150 communities, from Shetland to Stranraer, from Portree to Dundee. Over 400 funders count on our services. From a standing start we have invested £97m into communities, and funding now reaches £10m each year, by means of over 2,700 funding awards.

We are Scotland's Community Foundation. We are part of a movement of 50 such foundations in the UK, and of a global field of 2,000 foundations, each inspiring change in their community.

As an independent funder we have the privilege to think and act differently:

- we test new ideas and ways of working; we can take risks which state funding cannot
- we take the initiative, alongside responding to immediate and vital demands
- we have a long-term view, not limited by short-term cycles
- we enable citizens to gather around a common vision and provide the fuel to take action

We have built knowledge from our commitment to communities and funders. We have crafted expertise in strengthening community leadership and governance. We have generated know-how in guidance and support for funders, such as philanthropists. We enable them to develop their plans and to deliver the 'why, where, how and what'.

This year, on behalf of our donors, we distributed over £9.9m making us one of the largest funders of the voluntary sector in Scotland. Our knowledge of the sector allows us to find lesser known charities, including community groups, ensuring our awards make an impact and create lasting change.

### Our Ambitions

- Supporting communities to shape their future with the capacity and resources to deliver it
- Harnessing finance for investment into communities
- Working at the heart of transformational philanthropy
- Sharing knowledge gained from experience to inform policy and practice
- Achieving excellence through our people, practice and systems

### Public Benefit

Foundation Scotland provides public benefit in a range of ways. Through a process of research and due diligence and using long-term expertise, we bring together deserving needs and opportunities across Scotland's communities with independent funders. We ensure that public benefit is targeted and has lasting impact.

For the year ending 31 March 2020

## Reference and administrative details

### Board of Trustees

Thomas Ward	[Chair to 20 February 2020. Retired 30 April 2020]
Angus Tulloch	
Barry Sillers	[Chair from 20 February 2020]
Ian Marr	
Isabella Simpson	[Retired 2 October 2019]
James Hilder	
James McCulloch	[Retired 2 October 2019]
John Naylor	
Samantha Fiander	
Sarah Whitley	[Appointed 8 May 2019]
Sharon Fairweather	[Appointed 8 May 2019]
Toby Anstruther	[Vice Chair from 20 February 2020]

### Finance and Investment Committee

James McCulloch	[Chair to 2 October 2019]	Trustee
Sharon Fairweather	[Appointed 8 May 2019, Chair from 2 October 2019]	Trustee
Angus Tulloch		Trustee
Barry Sillers	[Appointed 20 February 2020]	Trustee
Graham Paterson		Co-opted member
John Naylor		Trustee
Sarinder Singh	[Resigned 22 August 2019]	Co-opted member
Stephen Connelly	[Appointed 22 August 2019]	Co-opted member
Thomas Ward	[Retired 30 April 2020]	Trustee

### Remuneration Committee

Thomas Ward	[Chair to 20 February 2020. Retired 30 April 2020]	Trustee
Barry Sillers	[Chair from 20 February 2020]	Trustee
James McCulloch	[Retired 2 October 2019]	Trustee
Sharon Fairweather	[Appointed 2 October 2019]	Trustee

### Senior Management

Giles Ruck	Chief Executive
Elizabeth Sams	Chief Finance and Operations Officer
Rachel Searle	Head of Communities
Charmaine Ferris	Head of Philanthropy – to 1 April 2020
Helen Wray	Head of Programmes

### Company Secretary

Elizabeth Sams	Chief Finance and Operations Officer
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### Registered office

15 Calton Road, Edinburgh, EH8 8DL.

### Auditors

MHA Henderson Loggie	11 -15 Thistle Street, Edinburgh, EH2 1DF
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### Bankers and Building Societies

Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh, EH2 2YB
Nationwide	71 George Street, Edinburgh EH2 3EE

## Foundation Scotland Annual Report and Accounts

For the year ending 31 March 2020

### Investment advisors

Brewin Dolphin Ltd	Sixth Floor, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Charles Stanley & Co. Ltd	2 Multrees Walk, St Andrew Square, Edinburgh, EH1 3DQ
Newton Investment Management Ltd	160 Queen Victoria Street, London, EC4V 4LA
Rathbones Investment Management Ltd	George House, 50 George Square, Glasgow, G2 1EH
Rossie House Investment Management	50 Moray Place, Edinburgh, EH3 6BQ
Standard Life Aberdeen plc	Standard Life House, 1 George Street, Edinburgh EH2 2LL

### Solicitors

Shepherd & Wedderburn	1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL
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### Offices

#### **Edinburgh**

Tel: 0131 524 0300  
15 Calton Road  
Edinburgh  
EH8 8DL

#### **Glasgow**

Tel: 0141 341 4960  
Empire House  
131 West Nile Street  
Glasgow  
G1 2RX

#### **Gatehouse of Fleet**

Tel: 01557 814927  
The Kiosk  
Gatehouse of Fleet  
Dumfries and Galloway  
DG7 2HP

### Website

[www.foundationscotland.org.uk](http://www.foundationscotland.org.uk)

For the year ending 31 March 2020

## Structure, governance, and management

### Legal and charitable status

Foundation Scotland is a charitable company limited by guarantee, registered as a charity in 1992 and incorporated in 1994. 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.

Whilst Foundation Scotland is a member of the UK Community Foundations network, the strategy, policies, and decision making are determined by the Board of Foundation Scotland.

### Trustees

Members of the Board of Trustees are the directors of the company. The Trustees are responsible for establishing a vision and clear strategic priorities for the Foundation. These priorities, together with underlying objectives and performance indicators, are established on a five-year and annual basis, and the Chief Executive reports on them at Trustee meetings. According to their skills, experience and interests, most Trustees take responsibility for one or more areas of activity, including appointment to a committee and /or a working group.

Trustees are appointed by the Board and serve for three years, after which period they may put themselves forward for reappointment up to a nine-year total. The Trustees meet four times a year, including a full away day. Those in office during 2019/20 and at the date of this report are set out in the reference and administrative details section of this report.

On appointment, each Trustee subscribes to a code of conduct and completes a register of interests, which is renewed annually. New Trustees and committee members receive a role description and appropriate strategy documents. They each attend an induction programme, covering the key aspects of our services, and also visit grant funded projects in order to see the difference made on a grassroots, community basis.

### Committees

The Board of Trustees has two sub-committees which focus on specific areas and have relevant duties delegated to them via a Terms of Reference. The committees are:

- Finance and Investment
- Remuneration

### Management and staff

The Trustees consider the Board of Trustees as holding responsibility for directing, controlling, and discharging the purpose of the charity. A Scheme of Delegation and Reserved Matters outlines the decisions which can be taken by the CEO and those where the Board retains authority.

The Senior Management Team comprises the key management personnel of the charity in charge of running and operating the charity on a day to day basis. The Senior Management Team consists of the Chief Executive, the Chief Finance and Operations Officer, the Head of Communities, the Head of Philanthropy, and the Head of Programmes. At 31 March 2020, the Foundation employed 31 people, of whom 16 worked part-time.

For the year ending 31 March 2020

**Key management personnel remuneration**

The key management personnel of the charity is comprised of the Board of Trustees and the Senior Management Team; with the trustees in charge of directing and controlling the charity, delegating authority and responsibility for the running and operation of the charity on a day to day basis to the Senior Management Team. All Trustees give of their time freely and no Trustee remuneration was paid in the year.

Details of Trustee expenses and related party transactions are disclosed in notes 9 and 23 to the accounts.

In addition to disclosing all relevant interests annually and in accordance with the Foundation's policy, Trustees are required to withdraw from decisions where a conflict of interest arises.

The pay of the Senior Management team is reviewed annually and, along with all staff, is increased in line with benchmark charity rates where funding allows.

**Volunteers**

In addition to our Trustees, a further two individuals volunteered during this year as members of our Finance and Investment sub-committee, providing guidance and advice to support the effective governance and strategic management of the Foundation.

**Trustees' indemnity insurance**

As permitted by Section 233 of the Companies Act 2006, the Company has purchased insurance cover on behalf of the Trustees indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

For the year ending 31 March 2020

## Strategic Report

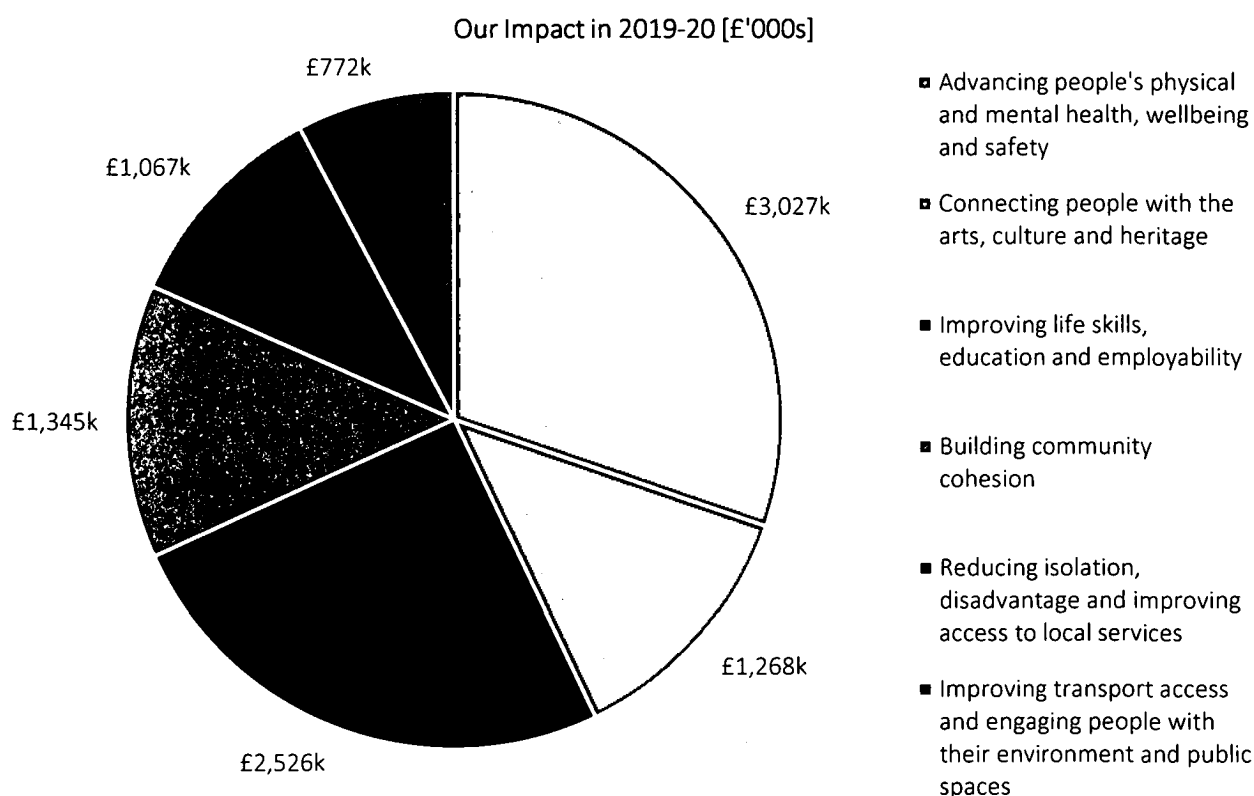
### Fund distribution

In total, the Foundation received 3,744 applications and made 2,703 awards totalling £9,920k on behalf of its clients during 2019/20:

Applications and awards summary	2015/16	2016/17	2017/18	2018/19	2019/20
Number of applications received for grants during year	2,987	2,412	2,774	2,822	3,744
Number of awards made in year	2,811	2,412	2,878	2,890	2,703
Total value of awards in year	£5,853k	£7,352k	£9,580k	£11,220k	£10,005

The value and number of awards made varies from year to year depending on the funding received from donors and the type of grantmaking programmes being run.

Our awards were spread over the impact areas below. In addition to measuring the monies spent we also commission independent evaluations on the impact of our funding and feed-in any learning from this into the design of subsequent programmes.



## Our work this year

### Ambition 1

#### Supporting communities to shape their future with the capacity and resources to deliver it

A wide range of projects have been supported, which are contributing significantly to social, cultural, economic and environmental outcomes in the communities they benefit. These include:

- Improved public spaces and facilities
- Local environmental enhancements
- Community-led services and facilities for specific groups e.g. – older and younger people
- Income generating assets
- Community events that bring people together
- Maintenance and/or upgrades to existing community buildings
- Enhanced skills and qualifications

We continued to steward over 60 place-based community funds, linked to renewable energy schemes. This amounts to over £4million available annually, benefitting people in over 300 communities, about 25% of all community council areas in Scotland.

We welcomed new clients during the year who established community funds with us. Existing clients also set-up new funds. All were either companies or individual philanthropists.

In the Highlands two new funds were established in Caithness. We set-up the Bad á Cheò Community Fund for Innogy, and the Achlachan Wind Farm Community Fund for Whirlwind Renewables. Also in Caithness we established the Dunnet & Canisbay Education and Training Fund. This is linked to the Stroupster Community Fund, funded by Greencoat Wind UK.

In the North-east we created a fund to support local communities linked to Aberdeen Offshore Wind Limited, which is the world's first offshore floating wind farm.

A Scotland-wide fund was established and distributed for GVC Ladbrokes, focused on building skills responding to local economic need. Also focused on local economic opportunities we supported Uber Moving Forward in Edinburgh with their new fund.

We were commissioned to support community dialogue and related developments in South Ayrshire, Dumfries and Galloway and Aberdeenshire, on behalf of an existing client, Vattenfall. This work will lead to creating effective impact with the company's community investment funding.

### Ambition 2

#### Harnessing finance for investment into communities

Development of community endowments featured substantially during the year. We published and distributed a brochure on the community endowment model. We convened discussions on community-led endowments with stakeholders connected with five community funds: A Chruach, Camster [Watten, Tannach, Latheron Lybster and Clyth], An Suidhe, Carron Valley, and Kinglassie. By the end of the year three Caithness communities had each established a community endowment but had also established a Caithness Wide Community Endowment.

Conversations with the other communities are continuing. We responded to five community organisations for which we don't currently manage a community fund but have taken interest in our community endowment offer for their specific contexts.

For the year ending 31 March 2020

Other work on harnessing finance focussed on developing a more systematic approach to the reactivation of dormant and redundant charitable trusts. We have had success in doing this, working with lawyers, the charity regulator and other stakeholders, but only at the rate of about one or two reorganised trusts each year. It's common for charitable trusts to be established within a family context with great ambitions, but energy and enthusiasm can fade over the years, leaving relatively modern charitable assets dormant. Differently, yet with the same result, ancient charitable trusts may have purposes which can no longer be fulfilled, such as 'oats for the poor'. Our work here is in supporting the re-organisation of the charity, managing the assets, finding modern equivalents to fulfil the charitable purposes, and distributing funds regularly. A pilot in England has demonstrated successful collaboration between the Charity Commission and community foundations. We began to explore this model with our regulator, OSCR and we look forward to development of a joint approach during the coming year, seeking to accelerate the revitalisation of charitable assets.

We worked closely with colleagues and trustees in our sister organisation, Resilient Scotland, during the year. We set out on a mutually agreed path toward integration of our two organisations. Resilient had developed a successful model blending loans with grants, plus business mentoring and other support for social enterprises. In the Foundation we confirmed that the missing service across our range of finance support was loans. Following many years of providing a base and back-office services for Resilient colleagues, it seemed a natural decision to embark on integration. This process is well underway. We began to discuss re-capitalisation of a new loan fund with prospective institutional funders, as well as with our own clients. While C-19 has paused this aspect of development, and the appetite for loan finance will change in the future, the value of blended finance for social enterprise is well understood now, and we believe the combined expertise, knowledge and connections of Resilient and the Foundation will bear fruit.

### **Ambition 3**

#### **Working at the heart of transformational philanthropy**

We continued to support over 150 clients to make donations to charities, by providing advice, by sourcing charities or by running full grant programmes. Funding distributed totalled £6million, with award sizes ranging from £10 to £1,000,000. The Online Giving Account provides one method for clients to select and support charities, with one-quarter of the £6million distributed this way.

We welcomed three new family / individual clients, who set up five new invested funds. They used the matched-donation incentive to come on board, which increases their opening fund value. Two residuary legacies were also established during the year.

We paid attention to relationships with professional advisors, meeting investment managers, lawyers and accountants who have an advisory role for current and would-be philanthropists.

### **Ambition 4**

#### **Sharing knowledge gained from experience to inform policy and practice**

We hosted a Disaster Fund Skills Workshop on behalf of the newly formed National Emergencies Trust (for England and Wales). As a result, we were invited to join the Scottish Government Spontaneous Donations and Volunteering committee who were reviewing the options for emergency response in Scotland. In the interim we signed-up to a memorandum of understanding with the National Emergencies Trust to be their distribution partner for Scotland in response to any incidence of disaster or emergency in Scotland.

For the year ending 31 March 2020

We delivered the third year of contracted activity to the Scottish Government's CARES (Community and Renewable Energy Scheme) Programme. Key outputs included contributing to their national conference to share practice and learning from our work administering community benefit funds and writing a Toolkit on Community Benefit and a selection of in-depth case studies, now all published and available at [www.localenergyscotland.co.uk](http://www.localenergyscotland.co.uk). Delivery also included webinars on the Community Benefit Toolkit through CARES and Development Trusts Association Scotland.

In partnership with Vattenfall, our work in Aberdeenshire was shortlisted for the renewable industry's Green Energy Awards. While not the outright winner, we were delighted that this project was recognised in the Best Engagement category.

## **Ambition 5**

### **Achieving excellence through our people, practice, and systems**

In line with the Foundation's place-based approach, several IT improvements were rolled out during the year. End-of-life PCs were replaced with laptops to allow all staff to work flexi-place and dependency on in-house servers was removed with all data moving to the cloud. To improve internal knowledge sharing an intranet was established allowing more dynamic information flow between staff. Towards the end of the year, the intranet was extended to include trustees enabling them to be continually connected to the work of the Foundation.

Our commitment to becoming a learning organisation moved forwards with the introduction of a learning management system for trustees and staff. Focus was initially placed on ensuring that all staff were trained on compliance matters, including GDPR, Anti-Money Laundering and Anti-Fraud.

Internal reporting moved forwards and a number of "sprints" were undertaken leading to more efficient operational systems. Our delivery teams also worked on a number of improvements [such as micro grants, capital projects and evidencing value for money] across aspects of our practice leading to further efficiency and effectiveness gains.

To better manage the scale and diversity of the team's fund portfolio and stakeholders the Communities Team restructured into three regional teams – Central, North and South.

For the year ending 31 March 2020

## Financial review

The Statement of Financial Activities for the year is set out on page 27 and the Balance sheet on page 28.

### Income

Total income for 2019-20 decreased from £33.7m to £13.2m. due to the exceptional additional income of £19.1m received from the NF Trust in 2018-19. Taking this into account, the year on year comparison was a drop of £1.4m.. £1.1m in new endowments were added – boosted by the Meet Your Match scheme.

Contributions into Grant making restricted funds increased from £9.3m to £9.8m with growth particularly noticeable in on-line giving accounts. General donations fell, even once the exceptional donation received in 2019-20 of £1.06m is removed from the comparatives.

Investment income increased by £233k. As the value of the underlying endowment base increases investment income will increase and so income from our default fund – the Newton Growth and Income Fund for Charities - increased by £73k. Other investments contributing to this increase included holdings in the P Global Opportunities Trust and in the Highbridge Multi-Strategy Fund.

Other income fell as consultancy work reduced and, at the end of March, room lettings fell following the onset of lockdown in response to Covid-19.

### Expenditure

Total expenditure decreased by £1m from £13.1m to £12.1m. Grants payable decreased by £1.2m. Included in the grants payable figure was one grant of £1.0m made to an Educational Trust to support student bursaries at George Watson's College, which also skews the geographical analysis this year.

Unrestricted expenditure increased by £0.2m in the year. Investments were made in improving our IT infrastructure – replacing old PCs across the organisation with laptops and implementing SharePoint and migrating all our data to the Cloud. Modest pay rises – in line with charity sector benchmarks were applied.

Development costs reduced by £121k. Costs are based on the amount of time logged against marketing and development activity and this declined in the year.

### Balance Sheet

Net Assets declined by £2.7m, driven primarily by the decrease in the value of investments of £3.8m off-set by an increase in restricted grant-making funds.

Debtors remained largely constant. Bank and Cash increased reflecting the increase in restricted funds received – which are held in bank accounts as opposed to being invested. The treasury management policy, aimed at simplifying banking arrangements, was implemented and as a result the number of banks used by the Foundation fell from six to two.

Creditors reduced due to a decrease in the value of grants accrued. Grants accrued represent grants committed which may not be paid out for some time. Despite the drop, the number of funds making multi-year commitments to grantees increased. Lastly the provision in relation to the defined benefit pension scheme reduced, due to the contributions paid in the year and a positive remeasurement.

For the year ending 31 March 2020

### Plans for future periods

We have adapted our working practice and continue to learn how to do this better, because of the pandemic confinement period and extended remote / at home working. As part of building back better, we will embed new approaches and practice, and continue to look for improvements in our approach within the Foundation, and with external stakeholders.

#### Supporting communities to shape their future with the capacity and resources to deliver it

- We expect that funding distributed will include significant income raised by the National Emergencies Trust, to support its endeavour to alleviate hardship from the pandemic among the most vulnerable, and in general to support a rebuild. Our Response, Recovery and Resilience Fund (RRR Fund) was established at the tail end of the financial year and we expect this to be an impactful channel, to enable both a targeted and responsive source of funds.
- We will continue to implement new, and deliver existing, community and thematic funds, sourced mainly from the private sector. We will provide clear channels through the Foundation – meeting the needs of funding clients and the needs and opportunities of charities, social enterprises, and community projects. When relevant, we will connect our funding streams in support of communities, collaborating internally between programmes. We will also look for opportunities to collaborate with external funders, to improve targeting, reach and therefore impact.

#### Harnessing finance for investment into communities

- We will promote opportunities to revitalise charitable assets, continuing our efforts with OSCR on how this can be developed systematically, and continuing to liaise with lawyers where dormant and redundant funds can be reorganised and made impactful once again. Now, more than ever, the voluntary and community sector in Scotland will benefit from release of locked-up funds.
- We will restart efforts to develop community-led endowment funds, paused during the initial pandemic period. While increased time to raise funds for capital endowments might be needed, the value of a community-led endowment as part of their approach to resilience remains.
- We remain committed to integrating the Resilient Scotland team within the Foundation, to enable the collective endeavour of providing the right finance package to support social enterprise. We are not yet fully clear on the demand for loan finance in support of social enterprises, however we know that demand for social enterprises in some sectors remains and some will emerge.

#### Working at the heart of transformational philanthropy

- We will share stories of needs and opportunities experienced because of the pandemic, and its subsequent socio-economic impact, with philanthropists – those already Foundation clients, and those we can reach and influence externally. Some have already responded generously in support of the RRR Fund mentioned before. We expect funding from the National Emergencies Trust will peak and then cease during the year, but that needs will continue, as Scotland moves from a medical crisis to an economic recession. We will promote the RRR Fund during the year, aiming to match with philanthropists' geographic and thematic interests, as well as publicising the Fund generally.
- We will run small campaigns seeking to recruit new philanthropists as Foundation clients. We have previously been successful with matching their donations to set-up an endowment fund and plan to run a similar scheme. We aim to bring on board those interested in the needs and opportunities exposed through our work in communities. We will consider adapting our pricing to incentivise philanthropists, as donors towards Foundation-identified priorities.

For the year ending 31 March 2020

#### Sharing knowledge gained from experience to inform policy and practice

- We will build on collaboration with stakeholders, which increased during the pandemic confinement. This was a necessity, to improve our funding reach and impact, and we will embed the approach, considering collaborators on implementation of each new programme.
- We will invest in improvements in how we build knowledge from our programmes and practice, including how we resource this effort. We expect to work more with external learning partners, to bring an external lens to review of programmes. We will ensure our staff team is resourced sufficiently to increase activity in this area.
- Improvements in learning will enable us to influence practice, and policy, alongside our range of marketing and communication work. Over time, we expect that management and application of the knowledge gained from grant programmes will improve the value of the funding delivered.

#### Achieving excellence through our people, practice and systems

- Internal and external meetings will be a blend of face-to-face and digital formats. While we value human connection, we also see where this is a priority, and where it is not. A blended approach will enable colleagues to be more agile and efficient, provide more flexibility to deliver their Foundation activities balanced with their other responsibilities, and help us reduce our carbon footprint.
- The overnight change in March 2020 to becoming virtually paperless showed us the benefits of digital workflow. It also exposed some weaknesses in our platforms and practice. We expect to improve both, adopting a system that enables workflow to be fully visible and integrated with Customer Relationship Management and finance platforms.
- The introduction of video-based internal meetings has been a leveller, enabling improved communication within teams and between teams. We will build on this, achieving more whole organisation gatherings through the year, and also blended with in-person meetings, to provide the right support at the right time, helping colleagues and teams to perform to their best, in a sustainable way.

#### Diversity – Together, we are on a journey

Diversity. Inclusion. They are more than just words for us. During the year ahead they will be at the centre of our principles, guiding how we build teams, networks, services and how we develop our practice.

Our definition of community is holistic and inclusive and celebrates the wide diversity of our nation. Our work embraces multiple approaches and points of view, and we believe diversity drives innovation. So, we are building a culture where difference is valued and celebrated. Creating an environment where everyone, from any background, can do their best work is not just the right thing to do, it is also the smart thing. Diverse organisations are more innovative and better positioned to succeed.

We see a diverse Scotland in many ways, such as culturally, physically, socially, economically. We want to reflect that inside the Foundation, building a stronger base and a culture where inclusiveness is a reflex, not an initiative. This will strengthen our ethos and enable us, with an increased sense of pride and passion, to work inclusively towards our vision of confident, thriving, and resilient communities, however they are defined.

For the year ending 31 March 2020

### Reserves policy

Foundation Scotland [FS] wishes to ensure that it achieves a position of financial strength so that, in turn, it can fulfil its purpose of growing long-term independent funding, providing social investment and building financial capital to strengthen Scottish communities.

In order to achieve this, FS reviews its reserves policy annually to ensure that reserve levels are set to cover risks and liabilities but equally that reserves work hard and investments and developments are undertaken in line with the strategic plan.

Free reserves are those that are available to spend on any charitable purpose. These are represented by Unrestricted Funds less Designated Funds [which includes fixed assets reserves]. In the case of the Foundation, free reserves are represented by the General Funds in note 20.

The levels of reserves and designated funds are set by the Board, with advice from the Finance and Investment Committee, and is based on identified risks and the strategic plan.

The main areas with the potential to impact or requiring use of reserves have been identified and are noted below:-

FS's operating income arises throughout the year however there are two peaks in the year – April and October. To provide for lags in income and to ensure positive cash flow, two months of operating costs will be held – in liquid form – in Unrestricted Reserves. The sum required to cover this is £334k.

As FS undertakes investment in its infrastructure and operating systems and in line with the strategic plan it will be operating deficit budgets in 2020-21 and 2021-22. The unrestricted reserves necessary to support these deficits have been calculated as £260k.

In order that developments are undertaken in line with the strategic plan the Board has designated the following unrestricted funds: -

Investments in new finance and HR software have been made recently and IT was upgraded in 2020-21. Further investment in new technologies, improving the website and adapting systems to accommodate new financial products has been identified as critical in the next phase of the strategic plan. The reserves necessary to support this activity have been calculated as £150k which will be held in a designated fund.

In accordance with its objective of increasing its endowment funds to support communities, FS is extending its successful pilot programme and committing £280k to match fund endowment building activity over the next two years which will be held in a designated fund.

The current business model requires dividend income from an invested fund to contribute to FS's operating income each year. The investment amount currently required to generate this annual income is £1.4m. The long-term aim is to increase operating income and hence negate the requirement to hold this capital sum as a designated fund.

FS participates in a multi-employer defined benefit pension scheme which has been frozen to new entrants since 2010. The scheme is currently in deficit and the scheme actuary has estimated that if FS ceased to participate the crystallised liability would be £1.82m. It is not the Trustees' intention to crystallise this liability, but they wish to ensure that should the liability arise that this could be discharged. FS own their office building in Edinburgh which was funded by unrestricted funds and the value is designated to discharge the majority of the pension fund liability.

The Finance and Investment committee reviews the level of reserves held against this policy at quarterly intervals throughout the year and reports on reserves coverage to the Board.

As at 31 March 2020 the required level of reserves is £4.244m and the actual level of unrestricted reserves held is £4.609m. The Board has agreed that the excess sum will be used to accelerate the investments arising from the 2020 - 2025 Strategic Plan.

For the year ending 31 March 2020

## Investment policy

Foundation Scotland [FS] has a detailed investment policy which is available upon request. Relevant extracts of the policy have been extracted below:-

Through its discretionary managed portfolios FS pursues an investment objective of maximising total return from income and capital growth whilst seeking to maintain the real value of its investments after taking into account any withdrawals for grant making. The portfolios have a medium risk profile and seek diversity across a range of asset classes with the bulk predominantly invested in pooled funds. Income is either re-invested or held as cash for distribution. Where FS is entrusted with a fund whose donor has a finite time-frame to utilise their donation, FS may adjust the investment objective specific to these funds to reflect the donor's ultimate objectives.

The Board agrees a level of cash to be withdrawn from the funds on an annual basis from capital [excluding Matched Endowments which are permanent in nature] and income. The level is reviewed annually to try and achieve long term sustainability. In setting the withdrawal rate the FIC will consider a range of issues including but not exclusively: investment performance, inflation, needs of beneficiaries and also the needs of FS. The current level of withdrawal is 4% for the benefit of the grant making programme and its associated support costs unless a donor has specifically requested a higher drawdown.

Except for cash deposits, FS does not itself undertake any investing directly and uses a number of Investment Managers for this purpose. The mandates with these managers are reviewed at the time of their initial presentation to the Finance and Investment Committee and their insurance coverage is checked annually.

It is the policy of FS to be as helpful as possible to potential donors. It will accept donations of investments as a transfer from a donor's personal investment portfolio and allow them to remain invested with the donor's investment manager subject to a minimum level of £500k. Where a donor does not have a sufficiently large fund to create a distinct portfolio, usually between £10,000 and £500,000, their monies will be invested in a pooled fund currently with Newton Investment Management.

There are no specific environmental, social or governance (ESG) restrictions on the majority of our investment portfolios. Where they exist, donors are advised to invest in a separate fund - currently the Newton SRI Fund for Charities. The ethical policy for this fund is defined by Newton's Investment Oversight Committee in consultation with investing clients. The ethical exclusions are available from Newton Investment Management. Notwithstanding the foregoing, the Trustees consider that both fund managers and Board directors of invested companies have an increasing stewardship responsibility to all their stakeholders. They also believe that funds and companies which ignore Environment, Social and Governance [ESG] issues may be more at risk of reputational, and consequently financial damage.

The Board have delegated the review and monitoring of investment performance to the Finance and Investment Committee [FIC]. The FIC reviews the performance of the portfolios against agreed benchmarks on a quarterly basis and the minutes of these meetings are reviewed in turn by the Board.

As owners or legal custodians, Foundation Scotland held charity- designated investments with a value of £50.5m at the end of March 2020, compared with £56.0m at the end of the previous year. Of this figure, the investment of £19.5m (38.6 %) was directed by FS using a number of external brokers and the Newton Income and General Income Fund. The balance of funds, amounting to £31.0m (61.4 %) is invested as directed by the original donors, or their stockbroking agents— mainly in investment trusts and other collective vehicles. As owners or legal custodians, FS retains a close watching brief on the suitability of all investment assets, and on their overall performance.

Historically we have not attempted to measure combined performance of the above investments. Given the different parties involved in the composition and selection of FS investment portfolios, evaluating this is not an easy task, and any benchmark used will have its drawbacks. In April 2019 we introduced our own internal performance measurement system and also decided to use the Teknometry\* peer group as a very approximate comparator. We are aware that measuring results on one year's performance can be very misleading, and we therefore also take note of the longer-term records of specific portfolios as part of the evaluation process.

For the year ending 31 March 2020

For the year to March 2020, FS's combined investment portfolios produced a total capital and income return of -4.1%. Over the same period the average fund monitored by Teknometry returned -7.1%. Most of our excess return can be attributed to an unusually large part of client directed investments being held in cash during the last quarter of the financial year, for which we can claim no credit. While it is always disappointing to report negative returns, we consider the outcome to be satisfactory given the poor stock market conditions prevailing in the first three months of 2020.

We have been reviewing the alignment of FS investment directed assets with the social purpose of a community foundation.

\*Teknometry CIG Charity Fund Universe, Teknometry Ltd. [www.teknometry.com](http://www.teknometry.com)

For the year ending 31 March 2020

## Risks

The Risk Management policy includes an assessment of the strength of the underlying controls and mitigating measures. Risks are scored in terms of their impact and their likelihood. Whilst not included in any score of risk, the velocity of risk is also assessed and used as an indication of whether formal contingency plans need to be established – with those of a high impact and high risk score requiring a plan.

Responsibilities for risk management are outlined below:-

Staff	Report near misses and assist in identifying risks
Team Heads	Build a risk management culture in their team, ensure controls are carried out and identify and report changed risks
Chief Finance and Operations Officer	Develop the risk management policy, co-ordinate the risk management and controls activity, update the register and compile reports for the Chief Executive.
Chief Executive	Understand the most significant risks and review the risk register.
Finance and Investment Committee	Review and monitor the financial risks and progress against mitigating actions. Review the risk statements in the Annual Report and Accounts.
Board	Review the Risk Register annually, approve the risk statements in the Annual report and Accounts and approve the Risk Management Policy.

The key controls of the Foundation include:

- Formal structure and agendas for the Board and sub-committees governed in line with detailed terms of reference.
- Comprehensive business planning, budgeting and management accounting.
- Established organisational structure and lines of reporting.
- Formal written policies including authorisation and approval procedures.

Risk	Mitigating actions:
Loss of significant funder	Focus on key strategic partners and quality of our work to ensure funder's' expectations are met.
Change of government policy, particularly in relation to subsidies for renewable energy and its impact on community benefit funds	Remain connected to decision makers / influencers.
Competition from other providers of similar charitable services	Regular review of market place and competitor analysis.
Crystallisation of the defined benefit pension scheme liability	Maintenance of reserves

Covid19 has been a lens through which the Foundation has recently re-examined all its risks. Whilst investments were the most obviously affected, these have bounced back in the two months following year end. In addition, the Foundation has received additional funds for distribution related to COVID19 and has re-calibrated its systems to distribute these. The Board are conscious of the turbulence ahead and, although the Foundation has a strong reserve base, the Board will be managing risks more frequently moving forwards.

Through the risk management policies and procedures of the Foundation, the Trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable assurance that major risks have been adequately managed.

For the year ending 31 March 2020

## Financial Statements

### Disclosure of information to auditors

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Trustees report including the Strategic report was approved by the Board and signed on their behalf by;



Barry Sillers  
Chair

9 July 2020

### Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Law applicable to incorporated charities in Scotland requires the Trustees to prepare an annual report and financial statements for each financial year in accordance with applicable law and regulations. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice [United Kingdom Accounting Standards and applicable law]. 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 charity at the end of the year and of its financial activities including its income and expenditure during the year then ended.

In preparing those 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper and adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

For the year ending 31 March 2020

### **Independent auditors' report to the Trustees and members of Foundation Scotland**

We have audited the financial statements of Foundation Scotland [the 'charitable company'] for the period ended 31 March 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* [United Kingdom Generally Accepted Accounting Practice].

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2020 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment [Scotland] Act 2005 and Regulation 8 of the Charities Accounts [Scotland] Regulations 2006 [as amended]

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing [UK] [ISAs [UK]] and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs [UK] require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

For the year ending 31 March 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report which includes the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report which includes the Directors' Report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report which includes the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment [Scotland] Act 2005 and the Charities Accounts [Scotland] Regulations 2006 [as amended] require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

#### **Responsibilities of Trustees**

As explained more fully in the Trustees' Responsibilities Statement, 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing 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 the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

For the year ending 31 March 2020

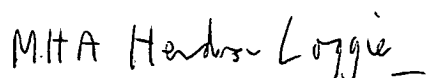
**Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44[1][c] of the Charities and Trustee Investment [Scotland] Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with Section 44 [1][c] of the Charities and Trustee Investment [Scotland] Act 2005 and regulation 10 of the Charities Accounts [Scotland] Regulations 2006 [as amended]. Our audit work has been undertaken so that we might state to the members and the charity's Trustees 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 charity, its members as a body and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



James Davidson [Senior statutory Auditor]  
For and on behalf of MHA Henderson Loggie  
Chartered Accountants & Statutory Auditor  
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

9 July 2020

11-15 Thistle Street  
Edinburgh  
EH2 1DF

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Foundation Scotland Annual Report and Accounts  
For the year ending 31 March 2020

Statement of financial activities

[Incorporating the income and expenditure account - For the year ended 31 March 2020]

	Note	Unrestricted 2020 £000	Restricted 2020 £000	Endowment 2020 £000	Total Funds 2020 £000	Total Funds 2019 £000
<b>Income and Endowments from:</b>						
Donations and Legacies	2	60	-	-	60	1,179
Investments	3	130	15	822	967	734
Charitable activities						
Income for grant making	4	1,179	9,817	1,155	12,151	31,650
Other		69	-	-	69	117
<b>Total Income</b>		<b>1,438</b>	<b>9,832</b>	<b>1,977</b>	<b>13,247</b>	<b>33,680</b>
<b>Expenditure on:</b>						
Raising Funds - Development costs	5	214	-	-	214	335
Charitable activities						
Grants payable in furtherance of charitable objectives	6	-	9,947	58	10,005	11,220
Grant and loan making services	7	1,794	79	41	1,914	1,608
<b>Total Expenditure</b>		<b>2,008</b>	<b>10,026</b>	<b>99</b>	<b>12,133</b>	<b>13,163</b>
Net gains / [losses] on investments		[381]	-	[3,440]	[3,821]	826
<b>Net Income / [expenditure]</b>		<b>[951]</b>	<b>[194]</b>	<b>[1,562]</b>	<b>[2,707]</b>	<b>21,343</b>
Transfers between funds		92	2,741	[2,833]	-	-
<b>Net Income / [expenditure] after transfers between funds</b>		<b>[859]</b>	<b>2,547</b>	<b>[4,395]</b>	<b>[2,707]</b>	<b>21,343</b>
Actuarial gains/[losses] on defined benefit pension scheme		7	-	-	7	115
<b>Net movement in funds</b>		<b>[852]</b>	<b>2,547</b>	<b>[4,395]</b>	<b>[2,700]</b>	<b>21,458</b>
Total funds brought forward		5,461	8,091	52,703	66,255	44,797
<b>Total funds carried forward</b>		<b>4,609</b>	<b>10,638</b>	<b>48,308</b>	<b>63,555</b>	<b>66,255</b>

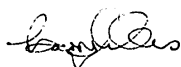
All of the charity's activities are continuing

Foundation Scotland Annual Report and Accounts  
For the year ending 31 March 2020

**Balance sheet Company No. SC152949**  
at 31 March 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	11	1,354	1,414
Investment property	11	718	718
Other investments	12	<u>50,540</u>	<u>56,018</u>
		52,612	58,150
<b>Current assets</b>			
Debtors	13	431	545
Cash at bank and in hand		<u>13,138</u>	<u>11,436</u>
		13,569	11,981
<b>Creditors: amounts falling due within one year</b>	14	<u>[1,906]</u>	<u>[3,163]</u>
<b>Net current assets</b>		11,663	8,818
<b>Creditors: amounts falling due after more than one year</b>	15	[533]	[498]
<b>Provision for liabilities and charges</b>	16	<u>[187]</u>	<u>[215]</u>
<b>Net assets</b>		<u>63,555</u>	<u>66,255</u>
<b>Funds</b>			
Endowment Funds – General	17,18 & 21	42,769	42,836
Endowment Funds – Revaluation reserve	17,18 & 21	<u>5,539</u>	<u>9,867</u>
		48,308	52,703
<b>Restricted Funds</b>	17,19 & 21	10,638	8,091
<b>Unrestricted &amp; Designated Funds – General</b>	17,20 & 21	4,787	5,226
<b>Unrestricted &amp; Designated Funds – Revaluation reserve</b>	17,20 & 21	<u>[178]</u>	<u>235</u>
		4,609	5,461
<b>Total Funds</b>		<u>63,555</u>	<u>66,255</u>

These financial statements were approved by the Board on 9 July 2020 and were signed on its behalf by:



Barry Sillers [Chair]

**Cash flow statement** for the year ended 31 March 2020

	2020 £000	2019 £000
Net income as per the statement of financial activities	[2,707]	21,343
Adjustments for;		
Depreciation charge	69	74
[Gains]/losses on investments	3,821	[826]
Interest and dividend income	[967]	[734]
Decrease / [increase] in debtors	114	217
Increase / [decrease] in creditors	[1,222]	777
Increase / [decrease] in defined benefit pension provision	[21]	[26]
<b>Net cash provided by operating activities</b>	<b>[913]</b>	<b>20,825</b>
<b>Cash flows from investing activities:</b>		
Dividends & interest from investments	967	734
Purchase of property, plant, and equipment	[9]	[2]
Proceeds from sale of investments	5,867	4,387
Purchase of investments	[4,210]	[23,323]
<b>Net cash used in investing activities</b>	<b>2,615</b>	<b>[18,204]</b>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>1,702</b>	<b>2,621</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>11,436</b>	<b>8,815</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>13,138</b>	<b>11,436</b>

## Notes forming part of the financial statements

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

#### Status of the company

The Foundation is a company, incorporated in Scotland with the registered address as on page 8 and limited by guarantee of its members and does not have a share capital. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up. If on the winding up of the company any assets remain after satisfaction of all the company's debts and liabilities, such assets shall be given or transferred to some charitable body or bodies whose objects are altogether or in part similar to the objects of the company.

The financial statements are presented in pounds sterling, which is the functional currency of the charity, and rounded to the nearest thousand pounds.

#### Basis of preparation and assessment of going concern

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment assets and are in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland [FRS 102] and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland [FRS 102] and the Charities Accounts [Scotland] Regulations 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The Trustees have considered the position for the next twelve months and concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties relating to activities or conditions that may cast doubt about the ability of the charity to continue as a going concern.

#### Income

Incoming resources, including legacies and gifts are recognised when there is entitlement, probability of receipt and the income can be measured with sufficient accuracy. Where income is received subject to certain performance conditions the income is deferred.

Income from the endowment fund is added to the fund. Each year up to 4% of the endowment fund (unless a donor has specifically asked for a higher level) is distributed for the purposes of each of the funds with an approximate 1% contribution to administration and grant making costs transferred to the general fund.

#### Expenditure

All expenditure is recognised on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to the relevant category of resources expended. The Foundation is registered for VAT and all expenditure categories include any irrecoverable VAT.

For the year ending 31 March 2020

Notes forming part of the financial statements

#### Funds

Funds are classified as restricted, endowment, designated or general. These are defined as follows:

- Endowment funds represent those assets which are held for long term investment by the Charity.
- Restricted funds are funds which must be used for specific activities which have been declared by the donor.
- General funds are expendable at the discretion of the Board of Trustees in the furtherance of the objects of the Foundation.

Further details of the nature and purpose of funds and the basis of transfers are given in note 18.

#### Fixed assets and depreciation

Fixed assets are included at cost.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Heritable property	-	over 50 years
Furniture	-	over 5 years
IT and Office equipment	-	over 3 years
Office fittings [leased properties]	-	over term of lease

#### Investment properties

Investment properties or parts of properties held for investment purposes are measured initially at cost and subsequently at fair value at the reporting date.

Valuations are carried out every five years by an external expert and derived from the current market rents and investment property yields for comparable property, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of financial activities.

#### Investments

Investments are included at market value at the balance sheet date.

Realised gains and losses, representing the difference between sale proceeds and market value at the previous financial year end, or purchase cost if acquired during the financial year, are dealt with in the statement of financial activities. Unrealised gains and losses, representing the movement in the market value of investments over the financial year, or from their date of purchase if acquired during the financial year, are dealt with separately in the statement of financial activities.

#### Leases

Assets acquired under finance leases or hire purchase are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income and expenditure account on a straight-line basis over the period of the lease.

#### Pension scheme

The company participates in a pension scheme providing benefits based on final pensionable pay, which is now closed to new entrants. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by FRS102 it recognises a liability representing the net present value of the deficit reduction contributions payable under the existing deficit funding arrangements.

#### Redundancy and termination payments

Foundation Scotland aims to avoid redundancies, where this is not possible redundancy and termination costs are recognised as an expense in the Statement of Financial Activities and a liability on the Balance Sheet immediately at the point the charity is demonstrably committed to terminate the employment of an employee.

#### Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid. Where loans are repayable on demand these debts are not discounted.

#### Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of one year or less from the date of acquisition or opening of the deposit or similar account.

#### Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount.

#### Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### Taxation status

The Company is recognised by HM Revenue & Customs as a charity for the purposes of the Corporation Tax Act 2010 part 11 and is exempt from income and corporation tax on its charitable activities.

#### Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the charity's accounting policies, the Trustees 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.

In preparing these financial statements, the Trustees have made the following judgements:

- Determine whether leases entered into by the charity as a lessee and lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

The following is the charity's key source of estimation uncertainty:

The value of the deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

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Notes forming part of the financial statements

2. Income from donations and legacies

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Income from donations and legacies					
Donations	60	-	-	60	1,179
Total	60	-	-	60	1,179
Year ended 2019	1,179	-	-	1,179	

3. Income from investments

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Income from Investments					
Dividends	74		822	896	682
Bank Interest	56	15	-	71	52
Total	130	15	822	967	734
Year ended 2019	97	7	630	734	

4. Income from charitable activities

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Income from charitable activities					
Non-Invested Funds	1,179	9,817	-	10,996	10,285
Invested funds	-		1,155	1,155	21,365
Total	1,179	9,817	1,155	12,151	31,650
Year ended 2019	1,064	9,306	21,280	31,650	

Public sector funding

BIG Lottery - Jessica	266	272
UK Government – Tampon Tax	-	263
	266	535

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5. Costs of raising funds: Development

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Staff costs	107	-	-	107	177
Travel, training & recruitment	-	-	-	-	-
Property	-	-	-	-	-
Website and IT	11	-	-	11	15
Office costs	17	-	-	17	8
Professional fees	17	-	-	17	3
Support costs (Note 8)	62	-	-	62	132
	<u>214</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>335</u>
Year ended 2019	335	-	-	335	

6. Grants payable in furtherance of the charity's objects

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Grant making from non-invested funds	-	7,031	-	7,031	7,982
Grant making funds from invested funds	-	2,916	58	2,974	3,238
	<u>-</u>	<u>9,947</u>	<u>58</u>	<u>10,005</u>	<u>11,220</u>
Year ended 2019	-	11,176	44	11,220	

For the year ending 31 March 2020

Notes forming part of the financial statements

**6 Grants payable in furtherance of the charity's objects [Continued]**

**Grants payable in furtherance of the charity's objects – by Local authority**

		2020 £000	2019 £000
<b>North</b>	Highland	447	744
	Orkney	1	1
	Shetland	22	25
	Western Isles	4	39
<b>North East</b>	Aberdeen City	295	178
	Aberdeenshire	381	289
	Moray	66	63
<b>East</b>	Angus	58	22
	Dundee City	75	124
	Fife	192	263
	Perth and Kinross	109	131
<b>Central</b>	Clackmannanshire	56	88
	East Dunbartonshire	16	20
	Falkirk	145	161
	North Lanarkshire	121	96
	South Lanarkshire	270	262
	Stirling	263	306
	West Dunbartonshire	15	12
<b>West</b>	Argyll and Bute	175	338
	East Renfrewshire	4	1
	Glasgow City	1,076	2,831
	Inverclyde	64	88
	Renfrewshire	59	37
<b>South East</b>	East Lothian	105	126
	Edinburgh City	2,908	1,943
	Midlothian	56	88
	West Lothian	119	145
	Scottish Borders	285	354
<b>South West</b>	Dumfries and Galloway	1,393	965
	East Ayrshire	9	38
	North Ayrshire	26	21
	South Ayrshire	257	759
<b>Other</b>	Outside Scotland	933	662
<b>Total</b>		<b>10,005</b>	<b>11,220</b>

## 7. Loan and Grant Making Services

Analysed by expenditure type

	Unrestricted	Restricted	Endowment	Total Funds 2020	Total Funds 2019
	£000	£000	£000	£000	£000
Staff costs	1,013	-	-	1,013	797
Travel, training & recruitment	50	10	-	60	51
Property	3	4	-	7	23
Website and IT	56	3	-	59	11
Office Costs	9	4	-	13	
Professional fees	62	58	41	161	130
Support costs (Note 8)	601	-	-	601	596
	<u>1,794</u>	<u>79</u>	<u>41</u>	<u>1,914</u>	<u>1,608</u>
Year ended 2019	1,524	43	41	1,608	

## 8. Unrestricted costs and split of support costs

	Delivery costs			Support costs			
	Development	Grant and loan making services	Governance	Operations and Executive	Property and offices	Total 2020	Total 2019
	£000	£000	£000	£000	£000	£000	£000
Staff costs	107	1,013	26	213	28	1,387	1,226
Travel, training & recruitment	-	50	4	16	-	70	77
Property costs	-	3	2	4	134	143	151
Website and IT	11	56	-	62	26	155	152
Office costs	17	9	9	39	39	113	116
Professional fees	17	62	14	47	-	140	137
	<u>152</u>	<u>1,193</u>	<u>55</u>	<u>381</u>	<u>227</u>	<u>2,008</u>	<u>1,859</u>
Reallocation of support costs	62	601	[55]	[381]	[227]	-	-
	<u>214</u>	<u>1,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,008</u>	<u>1,859</u>
Year ended 2019	335	1,524	-	-	-	1,859	

For the year ending 31 March 2020

Notes forming part of the financial statements

## 9. Staff Costs

	2020 £000	2019 £000
Wages and salaries	1,124	1,063
Termination costs	83	-
Social security costs	119	105
Pension costs – defined contribution scheme	61	58
	<u>1,387</u>	<u>1,226</u>
Interest expense in respect of defined benefit pension scheme	7	7
Actuarial gains/ [losses] on defined benefit pension schemes	7	115
Deficit pension contributions paid	28	33

At the end of the financial year pension contributions amounting to £8,667 [2019 £8,784] were payable and are included in creditors.

The Foundation considers its Senior Management Team to be its key management personnel. The staff costs in relation to the SMT are:

	2020 £000	2019 £000
Staff Costs	495	342

The number of employees receiving remuneration in excess of £60,000 were:

	2020	2019
£60,000 - £70,000	1	2
£70,000 - £80,000	1	1
£120,000 - £130,000	1	-

The average number of staff employed by the company [excluding Trustees] during the year, analysed by category, was as follows:

	2020	2019
Community Investment	13	12
Executive	2	1
Finance and Operations	4	6
Philanthropy	6	7
Programmes	4	4
Resilient	5	5
	<u>34</u>	<u>35</u>

Members of the Board of Trustees are not remunerated by the Foundation; 2 [2019: 1] Trustee received expenses during the year totalling £295 [2019: £330] for attending meetings and attending training courses. The Trustees had Trustees indemnity insurance in place during the year.

For the year ending 31 March 2020

Notes forming part of the financial statements

# 10. Net incoming resources

Net incoming resources is stated after charging:

	2020 £000	2019 £000
Depreciation and other amounts written off tangible fixed assets	69	74
Auditor's remuneration		
Audit of these financial statements	13	14
Other services – pensions & life assurance	-	1
Other services - payroll	4	4
VAT services	2	1

# 11. Tangible Fixed Assets

	Land and Buildings £000	Investment Land and Buildings £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>				
At beginning of year	1,418	718	242	2,378
Additions	-	-	9	9
Disposals	-	-	40	40
At end of year	<u>1,418</u>	<u>718</u>	<u>211</u>	<u>2,347</u>
<b>Depreciation</b>				
At beginning of year	79	-	167	246
Charge for year	28	-	41	69
Disposals	-	-	40	40
At end of year	<u>107</u>	<u>-</u>	<u>168</u>	<u>275</u>
Net Book Value 31 March 2020	<u>1,311</u>	<u>718</u>	<u>43</u>	<u>2,072</u>
Net Book Value 31 March 2019	<u>1,339</u>	<u>718</u>	<u>75</u>	<u>2,132</u>

All assets are held for charitable purposes. Investment properties or parts of properties held for investment purposes are measured initially at cost and subsequently at fair value at the reporting date. Valuations will be carried out every five years by an external expert and derived from the current market rents and investment property yields for comparable property, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided.

For the year ending 31 March 2020

Notes forming part of the financial statements

**12. Other investments**

	2020 £000	2019 £000
Market value as at 1 April	56,018	36,256
Additions	4,210	23,323
Disposal proceeds	[5,867]	[4,387]
Net investment [loss] / gain	[3,821]	826
Market value at 31 March	50,540	56,018
Historical value at 31 March	45,180	45,915
Represented by:		
Cash and fixed interest securities	16,306	18,310
Listed shares	697	640
Unlisted shares	8	169
Investment trusts and unit trusts	33,529	36,899
	50,540	56,018

Investments comprising more than 5% of market value

Cash on deposit	16,050	17,201
Newton Growth & Income Fund for Charities	14,165	14,492
EP Global Opportunities Trust Ordinary Shares GBP 0.01	-	2,981

The main risk to the Foundation from financial instruments lies in the combination of uncertain economic conditions and investment markets. Liquidity risk is anticipated to be low as listed investments are traded in markets with good liquidity and high trading volumes and this is expected to continue.

The Foundation invests in pooled investment vehicles and is therefore directly exposed to counter-party risk. This risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification of investments amongst a number of pooled funds. Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

Market risk arises principally in relation to equities held in the pooled vehicles. The Foundation manages this exposure to market risk by constructing a diverse portfolio of investments across various markets and by retaining expert advisors to manage its investment portfolio.

**13. Debtors**

	2020 £000	2019 £000
Loans	284	157
Other	81	67
Prepayments and accrued income	29	260
Trade Debtors	4	31
VAT	34	30
	431	545

Included within loans is £83,000 of loans which are repayable after one year.

**14. Creditors: amounts falling due within one year**

	2020 £000	2019 £000
Trade creditors	64	229
Other	2	2
Tax and social security	7	37
Accruals and deferred income	1,833	2,895
	<u>1,906</u>	<u>3,163</u>

**Deferred Income**

	2020 £000	2019 £000
Opening balance	-	27
Amounts released to income	-	[27]
Amounts added to deferred income	-	-
Closing balance	<u>-</u>	<u>-</u>

Deferred income relates to contributions to administration fees where performance related conditions had not been met at year end.

**15. Creditors: amounts falling due after more than one year**

	2020 £000	2019 £000
Accruals and deferred income	<u>533</u>	<u>498</u>
	<u>533</u>	<u>498</u>

**16. Provision for liabilities and charges**

Defined benefit pension scheme net present value of deficit contributions payable

	2020 £000	2019 £000
Provision at start of period	215	356
Unwinding of the discount factor [interest expense]	7	7
Deficit contribution paid	[28]	[33]
Remeasurements - impact of any change in assumptions	-	4
Remeasurements - amendments to the contribution schedule	[7]	[119]
Provision at end of period	<u>187</u>	<u>215</u>

The company participates in a multi-employer scheme which provides benefits to some 102 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

# 16. Provision for liabilities and charges [continued]

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This actuarial valuation was certified on 19 December 2018 and showed assets of £120.0m, liabilities of £145.9m and a deficit of £25.9m. To eliminate this funding shortfall, the Trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

## Deficit contributions

Unless a concession has been agreed with the Trustee the term to 30 September 2026 applies:-

**From 1 April 2019 to 30 September 2026: £1.4m per annum [payable monthly and increasing by 3% each year on 1<sup>st</sup> April]**

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £88.2m, liabilities of £122.1m and a deficit of £33.9m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

**From 1 April 2016 to 30 September 2031: £37,475 per annum [payable monthly]**

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

## Income and expenditure account impact

	2020 £000	2019 £000
Interest expense	7	7
Remeasurements - impact of any change in assumptions	[7]	4
Remeasurements - amendments to the contribution schedule	-	[119]

## 16. Provision for liabilities and charges [continued]

### Assumptions

	2020	2019	2018
Rate of discount	2.57	1.46	2.01

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The scheme actuary has estimated that the employer debt that would become payable if the Foundation ceased to participate or if the scheme was wound up would be £1,817k as at 30 September 2017. It is not the Trustees' intention to crystallise this liability.

As a replacement to the Scottish Voluntary Sector Pension Scheme the Foundation currently has a group personal pension scheme administered by Royal London. The Foundation's contributions are restricted to those detailed in note 9.

## 17. Funds

	Unrestricted £000	Restricted £000	Endowment £000	Total Funds £000
At 31 March 2019	5,461	8,091	52,703	66,255
Movement in resources:				
Incoming	1,438	9,832	1,977	13,247
Outgoing	[2,008]	[10,026]	[99]	[12,133]
Gains and losses	[381]	-	[3,440]	[3,821]
Actuarial gain	7	-	-	7
Transfers	92	2,741	[2,833]	-
As at 31 March 2020	4,609	10,638	48,308	63,555

	Unrestricted £000	Restricted £000	Endowment £000	Total Funds £000
At 31 March 2018	4,498	6,954	33,345	44,797
Movement in resources:				
Incoming	2,456	9,314	21,910	33,680
Outgoing	[1,859]	[11,219]	[85]	[13,163]
Gains and losses	118	-	708	826
Actuarial gain	115	-	-	115
Transfers	133	3,042	[3,175]	-
As at 31 March 2019	5,461	8,091	52,703	66,255

# 18. Endowment Funds

Endowment Fund	Purpose – to provide income for grant making funds which support	Balance brought forward £000	Income £000	Expense £000	Transfer £000	Balance carried forward £000
Alexander Trust	young people and older people in Aberdeenshire and the Isle of Bute	163	5	[15]	[8]	145
Anthony Davis	grant making activity - UK-wide	113	3	[8]	[17]	91
Beatrice Foundation	grant making activity - Scotland-wide	156	4	[14]	[6]	140
Bertha Fund	grant making activity with a focus on Perth and Kinross	525	15	[45]	[32]	463
Betty & Roy Ure Trust	voluntary organisations and charities in Arran	1,116	33	[101]	[31]	1,017
Bluebird Trust	causes related to the environment, human rights, ill-health or other disadvantage – UK and overseas	194	-	[27]	[2]	165
Bottomley Charitable Trust	grant making activity - UK-wide	165	4	[17]	[3]	149
Budge Foundation	grant making activity - UK-wide	392	10	[25]	[118]	259
Brunton Endowment Trust	general grantmaking activity – Scotland-wide, particularly Aberdeenshire.	267	7	[24]	[11]	239
Campbell Crowson Fund	elderly, health and disability issues- Scotland-wide	182	5	[16]	[8]	163
Carrick Futures	general charitable activity - in the Carrick futures communities in South Carrick	225	6	[35]	83	279
Cervus Trust	general charitable activities - Scotland-wide	261	7	[20]	[11]	237
Coram Trust	rural and urban regeneration projects, especially housing - Scotland-wide	216	6	[21]	-	201
David and Averil Macdonald Charitable Fund	general grantmaking - Elgin, Tain, Islay and Broxburn areas	1,327	38	[114]	[82]	1,169
Douglas McDougall	general grantmaking activity - UK and overseas	180	6	[49]	[6]	131
Elizabeth Drummond Fund	general educational projects - Scotland-wide	1,001	23	[107]	[41]	876
F Laing Family Trust	general grantmaking activity - Scotland-wide	105	2	[9]	[4]	94
Forbes Fund	general grantmaking activity - in the Highlands	363	10	[32]	[15]	326
Fountainhall Trust	educational activities – UK-wide	546	434	[183]	[45]	752
Garpel Fund	general grantmaking activity - UK and overseas	11,786	116	[1,216]	[1,428]	9,258
Gartmhor Trust	disadvantaged families, supporting talented young people – Edinburgh and Fife priority but Scotland wide considered	1,718	112	[2]	[101]	1,727
Gateway Exchange	people achieve their potential	308	9	[28]	[13]	276
George and Grace Thomson Trust	general grantmaking activity – Dundee. Scholarships at Heriot Watt - Edinburgh	267	7	[20]	[43]	211
Gillian Charlotte Campbell Fund	general grantmaking in Edinburgh and East Lothian, Lanarkshire and the Scottish Borders	295	8	[26]	[12]	265
Glebefoot Charitable Trust	community groups - Scotland-wide, NE of Scotland in particular	701	20	[62]	[29]	630
Glenkerie Community	general charitable activity and development - Glenkerie area of the Scottish Borders	160	5	[17]	[1]	147
Gordon Brown Memorial Fund	families affected by cancer and the development of youth sport particularly rugby	271	8	[24]	[11]	244
Irene Sproule	the Church of Scotland congregation at Coldstream Parish Church	109	3	[10]	[4]	98

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Endowment Fund	Purpose— to provide income for grant making funds which support	Balance brought forward	Income	Expense	Transfer	Balance carried forward
		£000	£000	£000	£000	£000
Karen Napier Charitable Trust	education - UK-wide and overseas	502	173	[2]	[180]	493
Mary Janet King Trust	general grant-making activity with a focus on music - Scotland-wide	232	6	[17]	[37]	184
Kinross-shire Fund	communities, projects & groups - Kinross-shire area	214	6	[18]	[13]	189
Leckie Family Trust	general grantmaking activity - Scotland-wide	-	207	[65]	-	142
Live Well Charitable Fund	alleviate poverty - Edinburgh area	279	7	[25]	[15]	246
Logie Trust	general grantmaking activity - Scotland-wide	107	-	-	-	107
McNab Family Charitable Trust	general grantmaking activity - Scotland-wide	239	11	[22]	[10]	218
NF Trust	general grantmaking activity - Scotland-wide	18,753	89	[125]	[510]	18,207
Ochil Developments Blackford Community Fund	general charitable activity and development - Blackford area	410	12	[34]	[42]	346
Paraclete Trust	general grantmaking activity - Scotland-wide	384	3	[34]	[14]	338
Path Trust	general grantmaking activity - UK-wide	55	96	[15]	[4]	132
Philippians 4:19	general grantmaking activity - Scotland-wide	1,029	27	[96]	[44]	916
Prudential Fund	general grantmaking activity - Stirling area	126	4	[13]	[2]	115
Robert & Edith McMillan Edinburgh Music School Trust	Edinburgh Music School activities at Broughton High School	179	5	[16]	[5]	163
Russell Trust	general grantmaking activity - UK and overseas	155	4	[28]	[1]	130
Tanner Foundation	general grantmaking activity - UK and overseas	872	26	[82]	[5]	811
Urras Oighreachd Ghabhsainn [UOG] Community	general grantmaking activities - within the community of the Galston Estate	546	16	[51]	[3]	508
Victoria League in Scotland [VLS] Trust	education activity - Scotland-wide	182	5	[16]	[16]	155
Viewforth Trust	general grantmaking activity-UK-wide	1,095	24	[117]	[66]	936
Ward Family Trust	general grantmaking activity - UK and overseas	830	42	[166]	[93]	613
William Grant Piping Trust	music activity - Scotland-wide	654	18	[57]	[28]	587
William Hunter Trust	relief of poverty with a priority - Edinburgh and the Lothians	647	19	[64]	[35]	567
Women's Fund WFS	projects which benefit women - Scotland-wide	184	5	[15]	[2]	172
		50,786	1,711	[3,345]	[2,960]	46,192
Other Endowments funds with less than £100k		1,917	266	[194]	127	2,116
<b>Total Endowment Funds</b>		<b>52,703</b>	<b>1,977</b>	<b>[3,539]</b>	<b>[2,833]</b>	<b>48,308</b>
Year ended 2019		33,345	22,618	[85]	[3,175]	52,703

19. Restricted Funds

Restricted Fund	Purpose – to support	Balance brought forward £000	Income £000	Expense £000	Transfer £000	Balance carried forward £000
Annandale and Nithsdale Community Benefit Company	activities that support the rural regeneration and sustainability – 42 council areas Annandale and Nithsdale	100	216	[190]	-	126
Auchterless, Inverkeithy and Fisherford Community Fund	local groups - Auchterless, Inverkeithy, Fisherford in Aberdeen shire	120	-	[2]	11	129
Baillie Gifford Community Awards Fund	general activities - Scotland-wide	237	224	[211]	-	250
Carrick Futures		77	422	[27]	[84]	388
EDF Burnhead Moss Community Fund [Limerigg & Slamannan]		92	-	[1]	20	111
E.ON Camster Community Fund [Tannach & District]	charities and groups - in the Camster Community Fund area	127	-	[73]	43	97
E.ON Camster Community Fund [Watten]	charities individuals and groups - three community council areas	146	-	[15]	43	174
East Neuk Cash Reserve	thriving communities in the East Neuk of Fife	233	-	-	[201]	32
Fa/c East Neuk of Fife	thriving communities in the East Neuk of Fife	-	2	[3]	202	201
Fa/c Baillie Gifford	charities individuals and groups - UK-wide	379	1,680	[1,719]	-	340
Fa/c GG	charities individuals and groups - UK-wide	6	30	[227]	350	159
Fa/c Moidart Trust	charities individuals and groups - UK-wide	239	162	[74]	[18]	309
Fa/c TP	charities individuals and groups - UK-wide	316	-	[62]	-	254
Foundation Scotland Emergency Fund – COVID	those affected by Covid-19 – Scotland-wide	-	-	-	138	138
Foundation Scotland Flood Recovery Appeal Fund	those affected by flooding – Scotland-wide	114	-	-	[114]	-
Greencoat Strouper Community Fund	projects which benefit the residents – Dunnet and Canisbay	220	167	[55]	[67]	265
Hadyard Hill Community Fund [Barr]	community projects - Barr	42	33	[12]	57	120
Hadyard Hill Community Fund [Pinwherry & Pinmore]	community projects – Pinwherry & Pinmore	50	33	[2]	57	138
Kilgallioch Community Fund	community projects – Wigtownshire & South Carrick	94	177	[148]	-	123
Minnygap Community Benefit Fund	community projects – Johnstone, templand and Kirkpatrick Juxta	51	131	[24]	-	158
Old Luce Community Fund [Scottish Power Renewables Kilgallioch]	community projects – Old Luce Community Council area	289	179	[67]	-	401
Ross Girls Charitable Trust	groups and organisations – UK-wide	102	-	[10]	-	92
Sankalpa Foundation	business development and the rural economy – Gate House of Fleet	157	11	[85]	-	83
Shell UK IT Support Awards	small community groups with the purchase of IT equipment – Aberdeen, Aberdeenshire and Fife	154	-	[154]	-	-

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Restricted Fund	Purpose – to support	Balance brought forward £000	Income £000	Expense £000	Transfer £000	Balance carried forward £000
Torrance Farm Wind Park Community Fund [HEG]	community projects - Harthill, Eastfield & Greenrigg	137		[33]	30	134
Unlock our Future Fund	community projects – Aberdeenshire, City of Aberdeen	-	269	[99]	-	170
Vattenfall Clashindarroch Community Fund	community projects - Huntly, Strathbogie, Tap O'Noth, Cabrach	248	207	[157]	-	298
Ventinet Glenkerie Community Fund	Community projects - Tweedsmuir, Broughton, Drumelzier, Coulter, Biggar, Symington, Robertson, Lamington and Skirling	77	78	[36]	-	119
Ventient Galawhistle Community Fund	community projects - Coalburn and Douglas & Glespin Community Council areas	126	126	[104]	-	148
Volant Charitable Trust	women, children and young people at risk and facing social deprivation – Scotland-wide	241	904	[737]	-	408
Whiteside Hill Community Fund	community projects - Kirkconnel & Kelloholm, Royal Burgh of Sanquhar & District	135	138	[117]	[155]	1
		4,309	5,189	[4,444]	312	5,536
Other Restricted funds with less than £100k		3,782	4,643	[5,582]	2,429	5,272
<b>Total Restricted Funds</b>		<b>8,091</b>	<b>9,832</b>	<b>[10,026]</b>	<b>2,741</b>	<b>10,638</b>
Year ended 2019		6,954	9,314	[11,219]	3,042	8,091

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**20. Unrestricted and Designated Funds**

	Balance brought forward £000	Income £000	Expense £000	[Losses]/ Gains £000	Transfer £000	Actuarial gains £000	Balance carried forward £000
<u>General Funds</u>							
General Fund	3,276	1,438	[2,008]	32	[2408]	7	337
Revaluation Reserve	235	-	-	[413]	-	-	[178]
<u>Designated Funds</u>							
IT Developments	150	-	-	-	-	-	150
Endowment Building Fund	400	-	-	-	[120]	-	280
Income Generation Fund	1,400	-	-	-	-	-	1,400
Pension Scheme Deficit Fund	-	-	-	-	1,750	-	1,750
Strategic Plan Implementation Fund	-	-	-	-	870	-	870
As at March 2020	<u>5,461</u>	<u>1,438</u>	<u>[2,008]</u>	<u>[381]</u>	<u>92</u>	<u>7</u>	<u>4,609</u>
<u>General Funds</u>							
General Fund	1,216	2,456	[1,859]	-	1,348	115	3,276
Caledonian Challenge	3,165	-	-	-	[3,165]	-	-
Revaluation Reserve	117	-	-	118	-	-	235
<u>Designated Funds</u>							
IT Developments	-	-	-	-	150	-	150
Endowment Building Fund	-	-	-	-	400	-	400
Income Generation Fund	-	-	-	-	1,400	-	1,400
As at March 2019	<u>4,498</u>	<u>2,456</u>	<u>[1,859]</u>	<u>118</u>	<u>133</u>	<u>115</u>	<u>5,461</u>

Revaluation Reserve

The negative balance on the revaluation reserve was fully recovered post year end.

Transfers

IT Developments Designated Fund transfers were in respect of IT projects relating to upgrades and migration of data to the cloud offset by an equal amount or funds transferred to the fund for future projects

Endowment Building transfers represented Meet Your Match contributions made during the year.

Designated Funds purposes

IT Developments – to fund IT developments over the next 2-3 years in line with the strategic plan.

Endowment Building Fund – to support the establishment of new endowment funds.

Income Generation Fund – to provide an income generating invested fund to support core costs.

Pension Scheme Deficit Fund – to provide a sum equivalent to the buy-out value of the final salary pension scheme.

Strategic Plan Implementation Fund – to resource activities in line with the new strategic plan.

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## 21. Analysis of net assets between funds

Fund balances at year end are represented by:

	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Tangible fixed assets	-	-	2,072	2,072
Investments	48,308	-	2,232	50,540
Net current assets	-	11,171	492	11,663
Creditors due after more than one year		[533]		[533]
Provisions	-	-	[187]	[187]
	<u>48,308</u>	<u>10,638</u>	<u>4,609</u>	<u>63,555</u>

Fund balances at the previous year end were represented by:

	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Tangible fixed assets	-	-	2,132	2,132
Investments	52,703	-	3,315	56,018
Net current assets	-	8,589	229	8,818
Creditors due after more than one year		[498]		[498]
Provisions	-	-	[215]	[215]
	<u>52,703</u>	<u>8,091</u>	<u>5,461</u>	<u>66,255</u>

## 22. Operating lease commitments

The charity's minimum operating lease commitments are as follows:

	2020 £000	2019 £000
Within 1 year	39	36
In the second to fifth years inclusive	94	144
After 5 years		14
	<u>133</u>	<u>194</u>

Operating lease payments in the year totalled £38,510 [2019; £37,706].

## 23. Ultimate controlling party and related party transactions

The Trustees control the activities of the charity.

Trustees made donations totalling £0 to Foundation Scotland during the year [2019: £15,000].

UK Community Foundations provides membership and associated central IT platforms for UK Community Foundations. For these services £27,350 [2019: £ 39,765] was charged during the period. Thomas Ward was a Director of UK Community Foundations – resigning on 9 September 2019. Toby Anstruther became a Trustee from 10<sup>th</sup> December 2019. The amount due to UK Community Foundations at the year-end was £86 [2019: £4,479].

The following organisations, to which a Foundation Scotland Trustee is related, received grants in 2019-20:

Organisation	Grants paid	FS Trustee	Relationship with Recipient
7th Edinburgh North East (Leith Sea Scouts) Group	1,000.00	John Naylor	Trustee of Craigalmond District Scouts
Leuchie House Short Break Centre	3,500.00	Angus Tulloch	Wife is a Trustee
Preston Lodge Learning Foundation	900.00	Angus Tulloch	Trustee
Saint Andrew Boat Club	15,730.00	Sarah Whitley	Trustee
Y Care International	300.00	John Naylor	President YMCA
YMCA Scotland	100.00	John Naylor	President YMCA
Tolcross YMCA	3,875.50	John Naylor	President YMCA
Paisley YMCA	5,870.50	John Naylor	President YMCA
Anstruther Improvements Association	200,000.00	Toby Anstruther	Wife is a Trustee

The equivalent information for 2018-19 was:

Organisation	Grants paid	FS Trustee	Relationship with Recipient
YMCA Cupar Youth Cafe	1,000.00	John Naylor	President of the YMCA Scotland
YMCA Tain	8,208.00	John Naylor	President of the YMCA Scotland
YMCA Tain Youth Cafe	41,966.00	John Naylor	President of the YMCA Scotland
YMCA Broughty Ferry	1,500.00	John Naylor	President of the YMCA Scotland
YMCA Aberdeen	2,000.00	John Naylor	President of the YMCA Scotland
Strange Town	100.00	John Naylor	Trustee

None of the Foundation Scotland Trustees listed above were involved in the assessment of grant applications or the decision to approve funding to the organisations to which they are related other than in the case of a donor directed award relating to their own charitable funds held with Foundation Scotland. No balances were outstanding on the grants at the year end.

In 2019-20 there were no Trustees of Foundation Scotland who were also Trustees of Resilient Scotland Limited. In 2018-19 there was one Trustee. Invoices totalling £265,944 [2019: £271,854] were issued to Resilient Scotland Limited during the year. The total amount due at the year-end was £22,999 [2019: £135,332].

## 24. Contingent liabilities

Contingent liabilities relate to grant awards offered during the year where settlement is dependent on the recipient fulfilling various stated terms and conditions, the outcome of which is uncertain. The total at 31<sup>st</sup> March was £1,669,908 [2019: £915,534].

## 25. Financial Instruments

	2020	2019
	£000	£000
Assets measured at fair value through profit & loss	51,285	56,736

Assets measured at fair value through profit and loss comprise listed investments and investment property.

## 26. Post Balance Sheet Events

In June 2020 the cash element of the NF Endowment Fund was transferred to a new trust, independent of Foundation Scotland. The cash was held in both dollars and sterling and the combined equivalent value was £15m.

The COVID-19 outbreak post year has presented new challenges and risks to the business but in view of the substantial uncertainty related to the magnitude and duration, it is impossible to predict the impact of COVID-19 on its markets and activities. The COVID-19 outbreak is considered a non-adjusting subsequent event.