

Company no. 2651777  
Charity no. 1004630

**Community Foundation Network**  
**Report and Consolidated Financial Statements**  
**31 March 2010**

## Community Foundation Network

### Legal and administrative details

#### For the year ended 31 March 2010

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<b>Status</b>	The organisation is a charitable company limited by guarantee, incorporated on 7 October 1991 and registered as a charity on 11 October 1991.	
<b>Governing document</b>	The organisation was established under a memorandum of association on 7 October 1991 and amended on 2 December 1993, 17 July 1996, 21 October 1998, 19 January 2000, 27 April 2001 and 23 April 2003 which established the objects and powers of the organisation and is governed under its articles of association.	
<b>Company number</b>	2651777	
<b>Charity number</b>	1004630	
<b>Registered office and operational address</b>	12 Angel Gate 320 - 326 City Road London EC1V 2PT	
<b>Honorary president</b>	Baroness Usha Prashar	
<b>Honorary officers</b>	Matthew Bowcock Laura Warren John Briggs Hamish Buchan	Chair Vice Chair Treasurer (until 1st September 2009) Treasurer (from 1st September 2009)

#### Members of the board

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

Matthew Bowcock	Andrew Middleton (appointed 10 September 2009)
John Briggs (resigned 1 October 2009)	Kate Mulkern
David Brown	Marcelle Speller (co-opted)
Hamish Buchan	Professor Murray Stewart
Charles Clark (appointed 10 September 2009)	Terry Walsh (appointed 10 September 2009)
Clive Cutbill	Laura Warren
Amanda Delew (resigned 1 October 2009)	Sonia Waugh
Cathy Elliot (appointed 10 September 2009)	
Kate Hinks	
James Magowan	

**Chief Executive** Stephen Hammersley

**Company secretary** Leonie Benton

## Community Foundation Network

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<b>Bankers</b>	Caf Bank Ltd Kings Hill West Mallings KENT ME19 4TA	Bank of Scotland Pentland House 8 Lochside Avenue EDINBURGH EH12 9DJ	Coutts & Co 440 Strand LONDON WC2R 0QS
<b>Solicitors</b>	Russell-Cooke 2 Putney Hill LONDON SW15 6AB		
<b>Auditors</b>	Kingston Smith LLP Chartered Accountants Devonshire House, 60 Goswell Road London EC1M 7AD		

## Community Foundation Network (CFN)

### Report of the board

#### For the year ended 31 March 2010

#### Chairman's statement

Although Community Foundation Network's (CFN's) plans are, quite rightly, expressed in terms of the success of member community foundations, this year has seen CFN also make significant progress in helping forge a movement committed to positive social change in the UK through the development of what we have called "community philanthropy".

This notion of enabling people to work together locally to use the financial and other resources available to them to improve others' lives has always been part of community foundations DNA and this was the basis for the production, in the autumn of 2009, of the CFN "Manifesto for Community Philanthropists".

This manifesto was well received by policy makers from all parties and it has set the agenda for CFN to continue to promote community foundations as vital infrastructure for philanthropy in the UK, and, through the Beacon prizes contribute to a culture in the UK that is more positive towards philanthropy. Much of the thinking behind "community philanthropy" was reflected in David Cameron's Hugo Young lecture when he first spoke of the "Big Society", and community foundations are uniquely positioned to deliver in this area.

The highlight of the year has been the continued success of community foundations in the teeth of the recession. Across the UK community foundations welcomed 60% more new clients in 2009/10 than in any previous year, with 441 new people and companies setting up funds with community foundations, at an average fund value of £80,000. In England around half of these new funds were won as result of the Grassroots Grants endowment challenge programme, an initiative of the Cabinet Office that CFN lobbied for in 2007/8.

This year commentators have also observed that we have reached a tipping point in the UK where access to, and use of, digital services has moved from conferring advantage on those able to use them to conferring disadvantage on those that can't. Although philanthropy, and charitable giving generally, is lagging behind other industries in terms of digital activity, moving community foundations' unique proposition onto the web and supporting community organisations in their use of the internet are critical activities. I am delighted, therefore, that this year we started on the upgrade of the DIGITS database software that underpins UK community foundation operations and, with Marcelle Speller, we were able to pilot launch Localgiving.com, a new service designed to enable community organisations to promote their activities and raise money on the web.

As this year arguably marks the end of the first decade of the new millennium, it is worth noting that during this period, the number of community foundations that are members of CFN grew from 27 to 47 and the endowed funds held by community foundations grew from £91 million to £151 million. However, CFN is measured not only on the success of community foundations, but also on its contribution to its members. During the past ten year, CFN has contributed the following:

Indicator	2000	2010	Ten year achievement
Total grant making won and managed by CFN and delivered through community foundations	£0.15m	£9m	£56m in total won by CFN over the ten years
Core cost grants for investment in community foundations won through CFN	£297k	£158k	£2.2m in total won by CFN over the ten years
Ratio of total core cost money won for community foundations to members' subscriptions paid to CFN	787%	127%	355% - ten year aggregate
Ratio of grants won for delivery by community foundations to members' subscriptions paid to CFN	400%	6500%	9200% – ten year aggregate

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Finally, as this statement is being drafted, the scenario that CFN produced last year as part of the “Manifesto for Community Philanthropists” is being born out, as budget cuts are announced. We correctly identified the advent of an age of austerity, and the vital contribution that philanthropy would play in enabling social change. I am pleased that, working alongside others, notably Dame Steve Shirley, we have played a part in moving philanthropy towards the centre of the policy debate and that we have succeeded in raising the profile of community foundations at a policy level. Much remains to be done, and there are significant challenges ahead, but the need is equally prominent and the opportunities to extend the impact of community foundations are exciting.

Matthew Bowcock

Chairman

# Community Foundation Network (CFN)

## Report of the board

### For the year ended 31 March 2010

#### 1. Introduction

The health or otherwise of a person's local community is a key determinant of their quality of life. Local communities also have access to resources in the form of people, knowledge, buildings and organisations that can be mobilised to make progress on issues that matter locally. Community organisations can be an enormously important enabler of this form of activity and they need funding that is independent, reflects local priorities and is available over both the long and short term. Funding of this kind, and support that enables community organisations to raise sustainable finance, encourages locally relevant creativity and innovation and facilitates long-term impact.

The working hypothesis that underpins the work of Community Foundation Network (CFN) can be expressed as a theory of change:

“**IF** through a strong and vibrant network of community foundations, we can connect more donors of all kinds with community organisations, whose effectiveness in mobilising local people to address the issues that matter locally is constrained by a lack of finance and support **THEN** we will see significant social change in the UK that is driven from the grassroots; multiplies the impact of national programmes and is of strategic importance in an era of public spending cuts.”

#### 2. Community Foundation Network's Vision

Given this context, our vision for the network of community foundations is to see members in aggregate, and individually, providing a unique channel for donors of all kinds to engage with their communities and each other on a lasting basis. Community foundations should be catalysts of social change, making community philanthropy<sup>1</sup> compelling and engaging local people in making communities better places to live, work and do business. Community foundations will be funding, connecting and convening effective charitable activity that creates stronger and more cohesive communities.

Our vision for CFN is for an organisation that speaks authoritatively for our community foundation members, adds value to their work and leads the national development of community philanthropy.

#### 3. Community Foundation Network's Goals

Our goals are for CFN to be seen as the authoritative point of reference regarding community philanthropy with programmes of activity that will make a specific and quantifiable contribution by 2013 to:

- a national network of community foundations each developing community philanthropy at an accelerating rate, particularly local giving, and working with others to strengthen communities in the UK by developing and enabling sustainable and independent sources of funding for local charitable activity.
- community foundations being valued as a key part of the UK's infrastructure, for civil society, meeting high standards and, through CFN, present in the media and influential in philanthropic policy and practice.

#### 4. Community Foundation Network's Objects, Objectives and Activities for the Public Benefit

The Board has referred to the guidance in the Charity Commission's general guidance on Public Benefit when reviewing CFN's aims and objectives and in planning future activities. In particular, the Board has considered how planned activities will contribute to the aims and objectives they have set.

As this report will make clear, as a result of the work done by the network of community foundations there are many more people, in more communities across the UK who have been helped to face issues relating to disadvantage and/or take opportunities to improve the quality of life for themselves and their neighbours. In some cases, such as the Fair Share Trust Programme, CFN has a direct role in managing programmes that bring about these changes albeit by grant funding local implementing agents; in other cases CFN's work helps strengthen community foundations that in turn create benefit for people locally.

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<sup>1</sup> Community Philanthropy involves people working together locally to use the financial and other resources available to them to improve others' lives

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The objects of the charity are:

- To promote and improve the efficiency and effectiveness of community foundations in direct pursuit of their objectives, in such a manner as may be thought fit and in particular by raising and distributing funds for application for the general purposes of such foundations
- To advance education of the public in the work of such foundations
- To promote other charitable purposes of benefit to the community

The changes or differences that CFN seeks to make are:

- Enhancing and raising the national profile of community foundations
- More private sector donor clients approaching community foundations for philanthropic advice and community foundations being able to help them increase the effectiveness of their giving
- Winning new funds for members from contracts negotiated nationally for grants to be disbursed by community foundations
- Increasing capabilities and capacities of community foundations leading to increased efficiency and effectiveness, including the provision of IT.
- Managing the Fair Share Trust programme so that Agents build social capital, community capacity in some of the most disadvantaged communities in the UK
- Supporting new community foundation formations so that we maintain/enhance national coverage

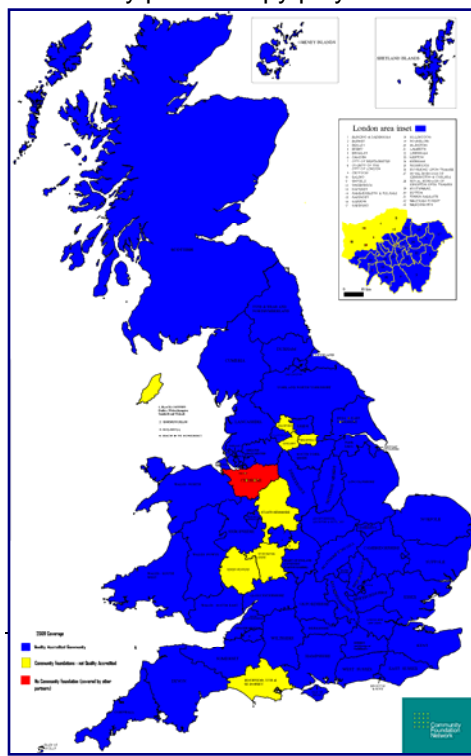
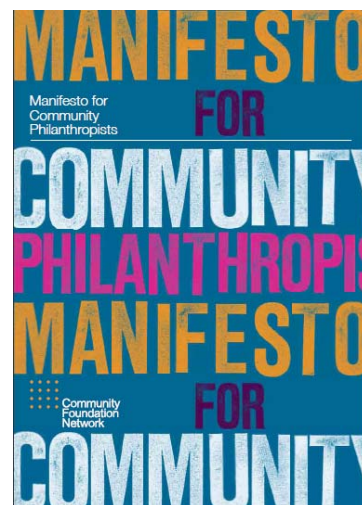
## **5. Achievements and performance**

### **5.1 Increased Influence and public profile**

CFN set an objective to raise our influence amongst policy makers. In September 2009, CFN published its Manifesto for Community Philanthropists, drawing on the expertise of community foundations and other interested parties to create a document that formed the basis for discussions with politicians and policy makers about how to unlock the potential for community philanthropy.

The document was well received by all the main political parties in Westminster and was discussed with officials in all of the UK's national parliaments and assemblies.

The document identified a framework for developing community philanthropy comprising: infrastructure; incentives and culture. CFN was invited to submit follow up proposals explaining how community foundations and the Beacon Fellowship Charitable Trust could deliver the changes necessary to see community philanthropy play a more strategic and significant role in the UK, changing communities for the better.



CFN was also active in promoting community foundations to the wealth management industry and professional advisers who have a critical role in introducing clients to the strategic planning of their charitable giving.

### **5.2 Strengthening the network**

One of CFN's key objectives has been to extend the coverage of the network of Quality Accredited Community Foundations across the UK.

We are delighted that the whole of the UK has community foundation coverage, apart from Cheshire, and that the vast majority of community foundations are Quality Accredited – an independent verification of the strength and quality of their processes and governance in line with standards specifically endorsed by the Charity Commission. Quality Accredited community foundations are able to use a logo reserved for charities that have participated in an approved quality scheme.

## Community Foundation Network (CFN)

### Report of the board

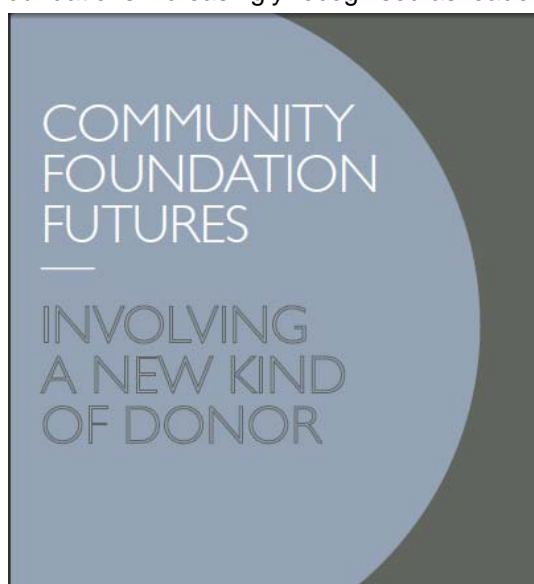
#### For the year ended 31 March 2010

During 2009/10 we have seen two new community foundations joining our membership and the York and North Yorkshire Community Foundation extending its area of benefit to encompass the East Riding and Hull.

CFN unlocks the sharing of learning across the network of community foundations and in September 2009 we ran a highly successful national two day conference in Nottingham that, according to delegate feedback achieved its objective of strengthening the network and developing the networks intellectual capital. Other achievements included promoting beacons of good practice and the delivery of member services.

### 5.3 Developing a community philanthropy practice

CFN has been working with Dame Steve Shirley, the UK Ambassador for Philanthropy and others to develop a network of people and organisations committed to developing philanthropy. Our aim is to see community foundations increasingly recognised as leaders in the field.



Working with The Institute for Philanthropy, experts in the field of philanthropic support and advice, we have created Community Foundation Futures, a course for key staff at community foundations to develop their knowledge of the essential elements of strategic philanthropy and working with donors. The course, modelled on the proven methodology of The Philanthropy Workshop, uses seminars, small group discussions, case studies, role play and site visits to build participants' skills.

The course is designed to equip staff to support clients in every aspect of their philanthropy, helping them to make a difference on the issues that they care about.

Four cohorts, of twelve participants each, have taken part in Community Foundation Futures between 2007 and 2010. That's 48 people from 25 of the UK's 55 community foundations and, thanks to generous support from the Charles Stewart Mott Foundation support, representatives of community foundations from Belgium, Romania and Russia.

In 2009, CFN secured recognition by Barclays Wealth for quality accredited community foundations as official partners in their philanthropy work and this goes alongside similar recognition from Coutts & Co. CFN instituted and facilitates a quarterly meeting of representatives of wealth managers and professional firms interested in philanthropy. This Professional Advisers Council has proved to be a useful forum for exchanging information and raising the profile of community foundations. CFN is aware of client introductions to community foundations, valued at £2m in the year as a result of this aspect of our work.



CFN has had a long term interest in the networking of donors and, as the Manifesto for Community Philanthropists highlighted, the need for a change in culture that encourages and celebrates philanthropic work. In this latter context, CFN had been a long term supporter of the Beacon Fellowship Charitable Trust in its prize scheme to recognise exceptional philanthropic achievements. In 2009, CFN provided some operational assistance to the Beacon Fellowship Charitable Trust Board, two CFN nominated Directors were elected to its Board and following on from this the opportunity arose to align the work of Beacon to celebrate philanthropic achievement more formally with CFN's work. Accordingly during the year, the Beacon Members appointed CFN as the sole corporate member (Beacon being a company limited by guarantee as well as a registered charity) and two CN nominated directors were elected

to the Beacon Board. CFN staff then launched the Beacon prizes for 2010, with nominations being welcomed through a new web-based process from November 2009. Our objective here is to provide community foundations



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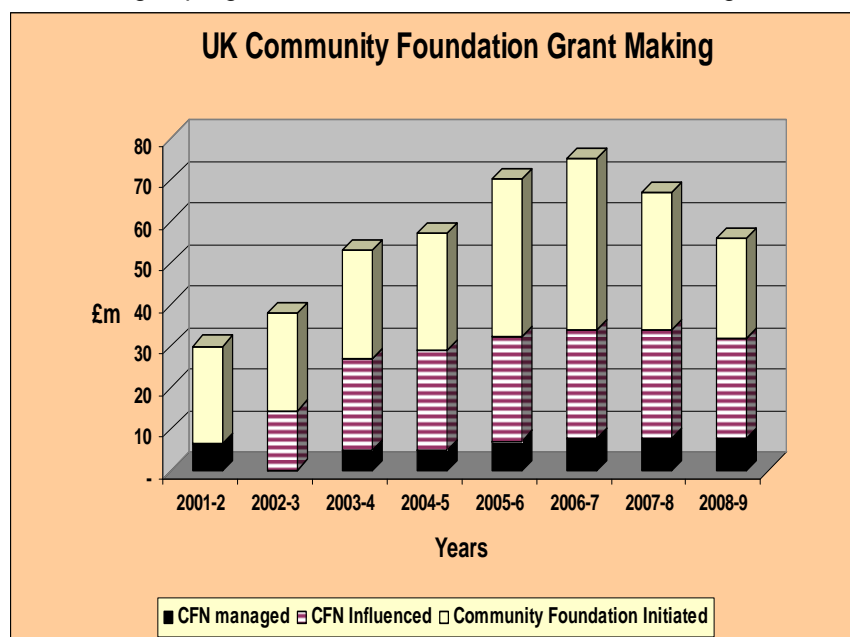
with access to the UK's leading philanthropy prize process and also to raise CFN's profile as the enabler of the prize process and in due course the Beacon Fellows (prize winners) network.

CFN continues to discuss with the Ambassador for Philanthropy how CFN's work and the Beacon Prizes and the Beacon Fellowship of prize winners fit into other plans for philanthropic networks and development work.

#### 5.4 Promoting a national community grant making practice

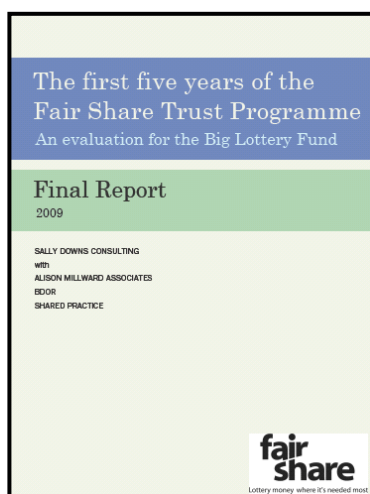
CFN has been successful in winning and managing new grant making business for the network.

Typically over recent years around 15% of the grants made by community foundations have been derived from CFN managed programmes. A further 25% of the network's grant making is linked to programmes that CFN influenced notably the Local Network Fund until 2007/8 and Grassroots Grants thereafter.



In 2009/10, Comic Relief increased their grant-making through the network by 50% to £6m over two years and programmes were also won and delivered for Barclays Wealth and Mars. In 2009/10, total income earned by CFN from grant making services and associated consultancy covered our direct costs of delivering this vital service to members. In the year CFN also awarded £147,000 of core cost grants to Members, as a consequence of the BASIS programme. In any recent 5 year period the core cost grants made back to members have significantly exceeded the membership subscriptions paid by members to CFN.

The network of community foundations supported just under 20,000 community based charities in 2009/10 making it the biggest and most significant independent community funding network in the UK.



During the year, the five year evaluation of the Fair Share Trust programme was published. This £50m programme, managed by CFN, and delivered through Community Foundations and other agents, was found to be achieving its aims to build social capital in the UK's 77 least advantaged communities.

The evaluation report and the success of the programme has been influential in the Big Lottery's thinking about future programming and the main political parties have shown interest in this pioneering approach to community led regeneration.

With the end of the programme (2013) drawing closer, a key focus this year has been the development of sustainability plans for all areas and for CFN. The approach adopted is being looked at by the Big Lottery for use in other programmes.

During the year CFN supported the Grassroots Grants programme, in England only. This is a £130m government three year initiative to boost community philanthropy through a £50m endowment challenge and a £80m grants programme. The programme was influenced significantly by the work CFN did with NAVCA as part of the

## Community Foundation Network (CFN)

### Report of the board

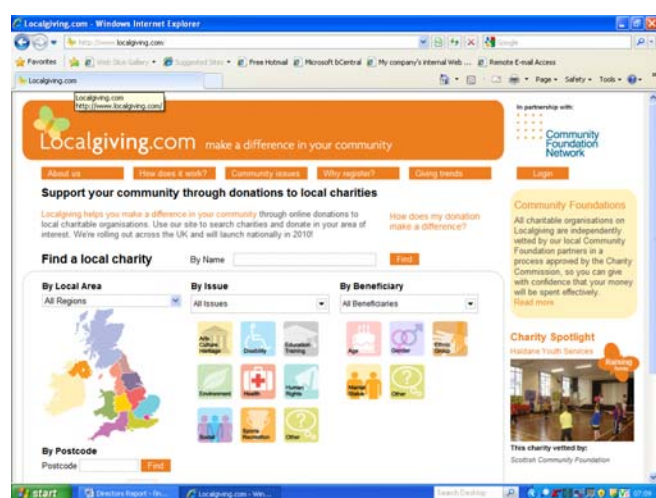
#### For the year ended 31 March 2010

government's third sector review. The programme is delivered to community foundations and a small number other agents direct. CFN was asked to support the endowment challenge element

In the first year, as part of the endowment challenge, a £14m fund was created in aggregate by community foundations to support community based charitable activity with only £6m of government support. This was an encouraging start with the momentum projected to increase as fund development plans are implemented.



### 5.5 Next Generation Information Technology (IT)



During the year CFN made significant progress in our strategic aim to position community foundations as the leaders of community philanthropy through the web, enhancing community foundations' productivity, charitable impact and web enabling community organisations.

We worked with Marcelle Speller, an internet entrepreneur and co-opted member of the CFN Board to pilot launch Localgiving.com. Localgiving provides web based tools to charities to help enable marketing, fundraising, and in due course networking. It uses the capacities of the community foundations to assess/vet community organisations and the community foundations provide the charitable infrastructure that allows donations to be "gift aided".

Plans were also agreed in the year to establish a separate company to develop and run Localgiving.com, with 50% of the shares held by a foundation settled by Marcelle Speller and 50% held by CFN. The company will not be a charity but will have irrevocable philanthropic objectives. The company will be set up in the financial year 2010/11.

We also succeeded in agreeing the specification for the redevelopment of the database that underpins community foundations' operations. The new database will enable significant efficiency gains and service improvements by having a more consistent data structure and by being web based. The new database will be designed to be interoperable with Localgiving.com.

## 6. Structure Governance and Management

CFN is a charitable company limited by guarantee with governance arrangements provided for by the company's memorandum and articles of association.

CFN is the national membership organisation for community foundations in the UK. Community foundation means a foundation established to generate funds from all sources (including money given to create endowment), in order to provide grants for charitable purposes related to the needs of a defined community. Community foundations thus provide services to donors and engage with others to strengthen local communities. Our vision is to see community foundations making an increasingly significant contribution to the creation of stronger and more cohesive communities in the UK by funding, connecting and convening effective charitable activity.

Membership of CFN is restricted to community foundations in the UK. The full members of CFN elect the trustees of CFN for three year terms, with a minimum of four trustees being trustees of member community foundations and a minimum of four being staff employed by member community foundations. Trustees are co-opted onto the board to bring experience and skills to bear that are considered necessary by the board.

These requirements mean that CFN benefits from having the majority of trustees very familiar with CFN and the issues that the board consider. CFN's induction processes for new trustees include a personal briefing from the CEO and the issuing of a board manual setting out the generic responsibilities of trustees and the specific responsibilities and roles that are required under the CFN governing documents. The Board meetings fit into the

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planning cycle so that the Board is able to focus on: reviewing lessons learned; developing strategy; approving a three year plan; and agreeing an annual budget.

CFN was found by an external assessor to have achieved quality accreditation in line with standards endorsed by the Charity Commission and that are consistent with the Commission's "Hallmarks of an Effective Charity". Re-accreditation will be required in 2010.

CFN is also the sole trustee for the Fair Share Trust. The Fair Share Trust, established in June 2003, is governed by a Trust Deed and is charged with delivering £50m of lottery money to some of the UK's most disadvantaged communities over a ten-year programme.

The Board of CFN is the decision making body for the company. In order to increase the focus of the board on delivering the impact expected within our plan, "Task Groups" charged with providing strategic direction and support to the staff help CFN progress the key strategies within the plan. These "Task Groups" do not have decision-making powers. The board has delegated powers to sub committees to take specific decisions consistent with the overall direction set by the whole board. The delegated authorities for these sub committees are summarised below.

The Fair Share Trust programme appears as an item on all main board agendas and its successful delivery is a key strategy for the plan. In addition to provision for a "Task Group" the board has delegated to a committee of trustees the responsibility for agreeing neighbourhood strategies against which funds will be released to the Agents delivering the programme.

A Finance and Audit Committee oversees the investment of the Fair Share Trust monies and audit arrangements. The Conference Committee takes responsibility for the work to deliver the bi-annual network conference. The Personnel Committee decides on staff remuneration and policies. An Accreditation Committee has delegated specific powers to approve community foundations' applications for the award of our Quality Accreditation (QA) and to review and recommend changes in the QA processes. The Programmes and Operations Committee approves large scale or higher risk grants programmes and monitors CFN's performance on these programmes.

As mentioned above, CFN is now also the sole corporate member of the Beacon Fellowship Charitable Trust. As at March 2010 CFN had nominated two Directors to the board of Beacon (Anne Boyd and Matthew Bowcock) with the two other Directors and the Chair being independent of CFN. It is intended that there will always be a strong contingent of Directors unconnected with CFN as we want the Beacon prizes to be seen as an independent "sector leading" and sector wide process for the recognition of extraordinary philanthropic achievement.

Again, as mentioned above, CFN during the year 2010/11 will acquire a 50% stake in LocalGiving.com Ltd. CFN will nominate two Director's who will be held to account by a committee of the CFN Board (IT Strategy Committee). The business plan, budget and all significant corporate actions undertaken by Localgiving.com Ltd will be explicitly approved by the CFN Board or a committee with appropriately delegated powers.

Staffing at CFN was reasonably stable over the year with new job holders inducted and trained appropriately.

The trustees have reviewed the major risks to which the charity is exposed, and systems and procedures are in place to manage these risks with reports from the CEO received quarterly at Board meetings. The key risks are associated with the expected ending of the significant core cost grant from the Cabinet Office in March 2011, and the financial, operational and reputational risks associated with the delivery of grants programmes.

## **7. Investment Policy**

During the year the decision was made to move the Fair Share Trust investments to a series of fixed deposits maturing in line with the requirements of the programme. This decision reduces the risks associated with fluctuations in the market and this was appropriate as the operational requirements of the Fair Share Trust required a higher degree of certainty in the value of the "surplus" assets that had been built up to enable effective planning of the latter stages of the programme. The trustees took appropriate advice concerning this decision and an amendment to the Trust Deed allowing such deposits was duly executed with the agreement of the Protector and the Big Lottery.

## Community Foundation Network (CFN)

### Report of the board

#### For the year ended 31 March 2010

The management of CFN's investments is overseen by an Investment & Audit Committee. CFN holds a small proportion of the CS Mott Foundation expendable endowment in CAF UK Equity Growth Funds (at present 30,359 units) and all remaining funds are held in interest bearing bank accounts which allow instant access.

#### **8. Grant making policies**

When winning new contracts, CFN can act as a broker, introducing clients to community foundations with whom they transact direct. CFN also positions community foundations so that they are well placed to win contract business, as with the Grassroots Grants programme. More recently, CFN has been successful in winning contracts where CFN manages the primary funding relationship and CFN then awards grants on behalf of donors or other funders to community foundations for disbursement in the communities they serve. The grant making policy for each programme is set in accordance with the specific aims and objectives of the funder and these are communicated to community foundations through formal grant offer letters. Monitoring and evaluation reports are required for all grants – the requirements of each donor and the size and time frame for the grants determine the exact nature of the reporting. Site visits are an important component in the monitoring process for larger multi year grants. The Fair Share Trust programme is governed by a Trust Deed and the grant making requirements are set out in a detailed Guidance Manual and formal service level agreements.

#### **9. Financial review**

The principal sources of unrestricted funding during the year for CFN were:

Source of Funding	% Unrestricted Income
The Office of the Third Sector (Cabinet Office)	36
Membership subscriptions	22
IT related subscriptions	17
Charles Stewart Mott Foundation	13
Other income	12

CFN is a strategic partner of the Office of the Third Sector (OTS) and this relationship includes vital grant support that has helped maintain and develop activities to strengthen the network, as well as providing a channel for CFN to provide information, advice and feedback to OTS on issues to do with community philanthropy and the funding of community organisations.

The Charles Stewart Mott Foundation funding supports core costs, as do membership subscriptions. The Charles Stewart Mott Foundation funding is an essential and highly valued source of funding for CFN and over many years this support has been instrumental in allowing CFN to do its work to strengthen and expand the network of community foundations in the UK.

It was particularly pleasing to note that for a fifth consecutive year DIGITS and IT support subscriptions and fees covered costs, leaving a small surplus available to fund future developments.

Income from the Fair Share Trust is retained within the Trust and the objects of the Trust determine its use, as is the case for the original capital settlement.

There was a modest increase in unrestricted funds of £50,000, this was largely because the CFN conference broadly broke even in financial terms and some costs were deferred until this became clear. The income from IT / DIGITS subscriptions also exceeded costs and this is considered important so that CFN is able to invest in future developments. In the year £29,000 was invested in legal advice, to ensure that the interests of Members are appropriately recognised and protected in the development of Localgiving.com.

The total income for the year increased as a result of the grant income received from Comic Relief during the year. This is flow-through funding which is awarded to members to make grants in accordance with the aims of the programme as determined by Comic Relief. Total expenditure was steady in comparison with the previous year, as a result of grants awarded to members who are delivering the Comic Relief grant programme between 2009 and 2011, even though the FST grants paid decreased during the year.

## **10. Reserves Policy**

The trustees have reviewed the reserves policy and have concluded that at any time CFN should be covered financially for 12 months, taking account of both unrestricted reserves and firm funding commitments, to ensure continuity of activity should any unforeseen funding gaps arise. The trustees believe this policy is a sensible balance between the need to maintain a secure long-term financial position and the requirement not to hold excessive charitable funds. This is estimated to be £350,000 and therefore at the end of our financial year, this policy was met.

## **11. Plans for the future period**

Our plan for 2010/11 and beyond builds on the achievements to date, the key areas of focus being:

- Increased public profile
  - Increasing coverage in the press
  - More influence on public policy (effective relationships with key government departments)
  - Strong partnerships with trade and professional bodies which can influence philanthropic activity
  - Better positioning of community foundations and CFN in research papers, the work of think tanks, etc
- Establishing a sustainable community philanthropy practice
  - Extend and consolidate community foundation partnerships with the professional adviser field and their trade bodies
  - Strengthen the capacity of community foundations to provide world-class philanthropy advice to clients and establish regional centres for philanthropy with key members
  - Build programmes that increase the profile of members
- Establishing a sustainable national community grants practice
  - Deliver existing programmes successfully (Lottery, CapacityBuilders, Sport Relief, the Grassroots Grants endowment challenge fund, and Mars in the Community)
  - Refresh core grant-making products and services
  - Reach out to new funders
  - Strengthen the network's approach to monitoring and evaluating programmes
- Fair Share Trust
  - Continue to deliver the programme to an excellent standard
  - Establishing effective sustainability plans for all FST areas
  - Promote learning and best practice from FST
- Next Generation Information Technology (IT)
  - Equip members with web based IT
  - Launch and promote LocalGiving.com
  - Position community foundations as key players locally in enabling web-based philanthropy.
- Strengthening the network
  - Deliver the Quality Accreditation 2010-2013 programme
  - Support best practice sharing and member networking
  - Deliver effective planning and support for CFN's 2011 conference
  - Establish an emergency appeal process which defines and establishes the community foundations in local disaster recovery programmes
- International strengthening
  - Contribute to positive exchanges between UK and peers overseas
  - Share expert programmes (e.g. in philanthropy advising) with community foundations from Central and Eastern Europe and Russia
  - Bring overseas expertise to UK members through CFN's conference planned for June 2011.

The Board is also mindful of the overarching requirement to sustain CFN's work and impact when we expect to see core cost grant funding from OTS end (in March 2011). Although our international work helps by spreading overheads

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across a wider number of players, our main task is to focus on those areas that can be sustained from grant or other income.

#### **12. Statement of responsibilities of the board**

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and charity and of the income and expenditure of the group and charity for that period. In preparing these financial statements the board is required to:

- Select suitable accounting policies and apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and charity and which enables the trustees to ensure that the financial statements comply with the Companies Act 2006. The Board is also responsible for safeguarding the assets of the group and charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **13. Audit information**

So far as each of the trustees at the time the trustees' report is approved is aware:

- a) there is no relevant information of which the auditors are unaware; and
- b) they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **14. Members' Liability**

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2010 was 11 (2009 – 12).

#### **15. Auditors**

Kingston Smith LLP has indicated their willingness to continue in office and is deemed to be reappointed in accordance with section 487(2) of the Companies Act 2006.

## **Community Foundation Network**

### **Report of the board**

#### **For the year ended 31 March 2010**

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2010 was 11 (2009 - 12).

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

#### **Auditors**

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

Approved by the board on

and signed on behalf of the trustees by

Matthew Bowcock - Chairman

## **Independent Auditors' Report to the members of Community Foundation Network**

We have audited the consolidated and parent charitable company's financial statements of Community Foundation Network for the year ended 31 March 2010 which comprise the Consolidated Statement of Financial Activities [Incorporating the Consolidated Summary Income and Expenditure Account], the Charity Statement of Financial Activities [Incorporating the Summary Income and Expenditure Account], the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

### **Respective Responsibilities of Trustees and Auditors**

The trustees' (who are also the directors of the charitable company for the purposes of company law) responsibilities for preparing the Trustees' Annual Report for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implication for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

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

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



**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2010 and of the group's incoming resources and application of resources, including the income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Companies Act 2006; and
- the information provided in the Trustees' Annual Report is consistent with the financial statements.

.....  
**Nicholas Brooks**, Senior Statutory Auditor  
for and on behalf of Kingston Smith LLP, Statutory Auditors

Devonshire House  
60 Goswell Road  
London EC1M 7AD  
**Date:**

# Community Foundation Network

## Consolidated statement of financial activities

(incorporating an income and expenditure account)

For the Year Ended 31 March 2010

		Restricted £'000	Unrestricted £'000	2010 Total £'000	2009 Total £'000
	Notes				
<b>Incoming resources</b>					
<i>Incoming resources from charitable activities</i>					
Donations and grants	3a	6,419	283	6,702	733
Subscriptions		-	124	124	95
Other income	3b	-	168	168	130
<i>Investment income and interest</i>	4	1,579	3	1,582	1,859
<b>Total incoming resources</b>		7,998	578	8,576	2,817
<b>Resources expended</b>					
Cost of generating funds:	7	-	-	-	7
Charitable Activities	5				
Fair Share excluding grants		1,216	-	1,216	1,178
ICT Services		-	99	99	69
Member Services		-	424	424	401
Other Programmes		80	-	80	492
Grant Payments	20	9,230	-	9,230	8,936
Governance	6	34	19	53	46
<b>Total charitable expenditure</b>		10,560	542	11,102	11,122
<b>Total resources expended</b>		10,560	542	11,102	11,129
<b>Net outgoing resources</b>	9	(2,562)	36	(2,526)	(8,312)
Realised gains/(losses) on Investments		311	-	311	(130)
<b>Net expenditure for the year</b>		(2,251)	36	(2,215)	(8,442)
Unrealised gains/(losses) on Investments	11	-	14	14	(1,259)
<b>Net movement in funds</b>		(2,251)	50	(2,201)	(9,701)
<b>Funds at 1 April 2009</b>		25,558	352	25,910	35,611
<b>Funds at 31 March 2010</b>	16, 17	23,307	402	23,709	25,910

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

The notes on the accompanying pages form a part of these financial statements.

# Community Foundation Network

## Statement of financial activities - charity only (incorporating an income and expenditure account)

For the Year Ended 31 March 2010

		Restricted £'000	Unrestricted £'000	2010 Total £'000	2009 Total £'000
	Notes				
<b>Incoming resources</b>					
Incoming resources from charitable activities					
Donations and grants	3a	6,419	283	6,702	733
Subscriptions		-	124	124	95
Other Income	3b	-	168	168	130
Investment Income and Interest	4	-	3	3	20
<b>Total incoming resources</b>		<b>6,419</b>	<b>578</b>	<b>6,997</b>	<b>978</b>
<b>Resources expended</b>					
Cost of generating funds:	7	-	-	-	7
Charitable activities	5				
Projects and Programmes		80	-	80	98
ICT Services		-	99	99	69
Member Services		-	424	424	401
Grant payments	20	2,685	-	2,685	394
Governance	6	-	19	19	15
<b>Total charitable expenditure</b>		<b>2,765</b>	<b>542</b>	<b>3,307</b>	<b>977</b>
<b>Total resources expended</b>		<b>2,765</b>	<b>542</b>	<b>3,307</b>	<b>984</b>
<b>Net incoming/(outgoing) resources</b>	9	<b>3,654</b>	<b>36</b>	<b>3,690</b>	<b>(6)</b>
Realised gains/(losses) on Investments		-	-	-	-
<b>Net income / (expenditure) for the year</b>		<b>3,654</b>	<b>36</b>	<b>3,690</b>	<b>(6)</b>
Unrealised gains/(losses) on Investments	11	-	14	14	(13)
<b>Net movement in funds</b>		<b>3,654</b>	<b>50</b>	<b>3,704</b>	<b>(19)</b>
<b>Funds at 1 April 2009</b>		<b>60</b>	<b>352</b>	<b>412</b>	<b>431</b>
<b>Funds at 31 March 2010</b>		<b>3,714</b>	<b>402</b>	<b>4,116</b>	<b>412</b>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

The notes on the accompanying pages form a part of these financial statements.

# Community Foundation Network

## Balance sheets

31 March 2010

	Note	The group 2010 £'000	2009 £'000	The charity 2010 £'000	2009 £'000
<b>Fixed assets</b>					
Tangible fixed assets	10	8	1	8	1
Fixed asset investments	11	16,920	20,947	42	28
		<u>16,928</u>	<u>20,948</u>	<u>50</u>	<u>29</u>
<b>Current assets</b>					
Debtors & prepayments	12	84	65	88	4
Cash at bank and in hand		<u>6,792</u>	<u>4,953</u>	<u>4,073</u>	<u>444</u>
		<u>6,876</u>	<u>5,018</u>	<u>4,161</u>	<u>448</u>
<b>Current liabilities: amounts falling due within one year</b>	13	<u>95</u>	<u>56</u>	<u>95</u>	<u>65</u>
<b>Net current assets</b>		<u>6,781</u>	<u>4,962</u>	<u>4,066</u>	<u>383</u>
<b>Net assets</b>	18	<u>23,709</u>	<u>25,910</u>	<u>4,116</u>	<u>412</u>
<b>Funds</b>					
Restricted funds	16	23,307	25,558	3,714	60
Unrestricted funds	17	<u>402</u>	<u>352</u>	<u>402</u>	<u>352</u>
<b>Total funds</b>		<u>23,709</u>	<u>25,910</u>	<u>4,116</u>	<u>412</u>

The notes on the accompanying pages form a part of these financial statements.

Approved by the board on

and signed on behalf of the trustees by

.....  
Matthew Bowcock - Chair

**COMPANY NUMBER: 2651777**

## **Community Foundation Network**

### **Consolidated notes to the financial statements**

**For the year ended 31 March 2010**

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

- a) The financial statements have been prepared under the historical cost convention (with the exception of investments which are stated at valuation) and in accordance with applicable accounting standards and the Companies Act 1985. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in 2005). These financial statements consolidate the results of the charitable company and its wholly-controlled subsidiary Fair Share Trust. A separate statement of financial activities for the charitable company is also included.
- b) Voluntary income received by way of subscriptions, donations and gifts to the charity is included in full in the statement of financial activities when receivable. Intangible income is recognised as an incoming resource where the provider of the service has incurred a financial cost. Volunteer time is not included in the financial statements.
- c) Grants are recognised in full in the statement of financial activities in the year in which they are receivable. Grants made are recognised at the time they are paid, once conditions have been satisfied.
- d) Income generated from the supply of goods or services is included in the statement of financial activities in the period in which the supply is made.
- e) Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund. Investment income on restricted funds is treated either as restricted or unrestricted depending on the wishes of the original donor.
- f) Unrestricted funds are donations and other income received or generated for charitable purposes.
- g) Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.
- h) Governance costs of the charity include the costs of running the charity such as the costs of meetings, audit and statutory compliance.
- i) Depreciation is provided on all tangible assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, which is 3 years. Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.
- j) The charitable company makes payments to defined contribution pension schemes on behalf of employees. The contributions are treated as an expense in the year in which they are payable. The charity has no other obligation under these schemes.
- k) Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

## Community Foundation Network

### Consolidated notes to the financial statements

#### For the year ended 31 March 2010

- l) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the lease duration.
- m) Costs are allocated directly to activities on the basis of staff time spent on each. We therefore do not have a cost category called "support costs".

## 2. Taxation

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

### 3a. Donations and grants

	Restricted £'000	Unrestricted £'000	2010 Total £'000	2009 Total £'000
C S Mott Foundation	-	73	73	56
Office of the Third Sector	-	210	210	210
Barclays Wealth	-	-	-	240
BASSAC - Collaboration Benefits	24	-	24	39
MARS in the Community	145	-	145	22
Comic Relief	6,083	-	6,083	-
Big Lottery Fund (BASIS SW)	167	-	167	166
	<u>6,419</u>	<u>283</u>	<u>6,702</u>	<u>733</u>

### 3b. Other income

	Restricted £'000	Unrestricted £'000	2010 Total £'000	2009 Total £'000
ICT Training and Consultancy	-	101	101	91
Grass Roots Grants	-	67	67	30
Other	-	-	-	9
	<u>-</u>	<u>168</u>	<u>168</u>	<u>130</u>

## 4. Investment income

	Restricted £'000	Unrestricted £'000	2010 Total £'000	2009 Total £'000
Consolidated				
UK Common investment funds	34	2	36	163
Fixed Income investments	693	-	693	1,544
Bank interest	852	1	853	152
	<u>1,579</u>	<u>3</u>	<u>1,582</u>	<u>1,859</u>

Community Foundation Network

Consolidated notes to the financial statements

For the year ended 31 March 2010

5. Charitable activities

	Grants (note 5) £'000	Staff costs and consultancy £'000	Office and running costs £'000	Profile & publicity £'000	Local partners £'000	<b>2010 Total £'000</b>	2009 Total £'000
Fair Share	6,545	191	157	3	865	<b>7,761</b>	10,114
ICT project - charity	-	60	39	-	-	<b>99</b>	69
Member services - charity	-	228	163	33	-	<b>424</b>	401
<i>Other programmes</i>							
Capacity Builders	-	-	-	-	-	-	26
Barclays Wealth	-	-	-	-	-	-	240
Conference	-	-	-	-	-	-	3
MARS in the Community	82	-	-	-	-	<b>82</b>	3
Collaboration Benefits	-	24	-	-	-	<b>24</b>	39
BASIS SW	147	6	10	-	-	<b>163</b>	167
Comic Relief	2,456	37	3	-	-	<b>2,496</b>	14
<i>Total for Other Programmes</i>	<u>2,685</u>	<u>67</u>	<u>13</u>	<u>-</u>	<u>-</u>	<b><u>2,765</u></b>	<u>492</u>
<b>2010 Total</b>	<b><u>9,230</u></b>	<b><u>545</u></b>	<b><u>373</u></b>	<b><u>36</u></b>	<b><u>865</u></b>	<b><u>11,049</u></b>	<b><u>11,076</u></b>

6. Governance

	Staff costs and consultancy	Office and running costs	Audit fees	<b>2010 Total £'000</b>	2009 Total £'000
Central costs - charity	7	-	12	<b>19</b>	15
Fair Share	<u>-</u>	<u>24</u>	<u>10</u>	<b><u>34</u></b>	<u>31</u>
<b>2010 Total</b>	<b><u>7</u></b>	<b><u>24</u></b>	<b><u>22</u></b>	<b><u>53</u></b>	<b><u>46</u></b>

**Community Foundation Network**

**Consolidated notes to the financial statements**

**For the year ended 31 March 2010**

**7. Cost of generating funds**

	<b>2010</b> £'000	2009 £'000
Fundraising & publicity		
Salaries and pension costs	-	7

**8. Staff costs and numbers**

	<b>2010</b> £'000	2009 £'000
Salaries and wages	407	346
Social Security Costs	43	37
Pension contributions	28	21
Other staff costs, including recruitment	84	86
	<b>561</b>	490

	<b>2010</b> No.	2009 No.
Number of employees earning between £60,000 and £70,000	1	1

Their total employer pension contributions were £6,382 (2008: £6,004)

The average number of employees was as follows:

	<b>2010</b> No.	2009 No.
Direct charitable expenditure	11	10
Governance	1	1
	<b>12</b>	11

**9. Net incoming / (outgoing) resources for the year**

This is stated after charging:

	<b>2010</b> £'000	2009 £'000
Depreciation	2	3
Operating lease rentals	50	42
Auditors' remuneration:		
▪ Current year	15	9
▪ In respect of prior years	7	4



Community Foundation Network

Consolidated notes to the financial statements

For the year ended 31 March 2010

10. Tangible fixed assets

		Furniture & Office Equipment £'000
<b>The group and charity</b>		
<b>Cost</b>		
At the start of the year		25
Additions in year		11
Disposals in year		-
At the end of the year		36
<b>Depreciation</b>		
At the start of the year		24
Charge for the year		4
Disposals in year		-
At the end of the year		28
<b>Net book value</b>	<b>At the end of the year</b>	<b>8</b>
	At the start of the year	1

11. Fixed asset investments

	The group		The charity	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
<i>Listed Investments and CAF funds</i>				
Market value at the start of the year	20,947	30,757	28	41
Additions at historic cost	21,095	-	-	-
Disposals at book value	(25,189)	(8,558)	-	-
Net unrealised gain / (loss)	14	(1,259)	14	(13)
Market value at the end of the year	16,867	20,940	42	28
Accrued interest on portfolio	53	7	-	-
Cash held in investment portfolio	-	-	-	-
Total value at the end of the year	16,920	20,947	42	28
Historic cost at the year end	16,867	21,208	55	55
Investments comprise:				
UK Common investment funds	-	2,919	-	-
CAF UK Equity Growth Units	42	28	42	28
Fixed Income Investments	16,878	18,000	-	-
	16,920	20,947	42	28

Investments representing over 5% by value of the portfolio comprise:

CAF Fixed Term Deposits	3,053	18,000
Coutts Bank Fixed Deposits	13,825	-
BGI Charitrak UK Equity Index Fund	-	2,662

## Community Foundation Network

### Consolidated notes to the financial statements

#### For the year ended 31 March 2010

##### 11. Fixed asset investments (continued)

Community Foundation Network has a subsidiary, Fair Share Trust which is a separate registered charity established in 2003. CFN is the sole trustee of Fair Share Trust. The Fair Share Trust is charged with delivering £50M of funding into some of the most disadvantaged communities through a 10 year programme which seeks to build social capital and capacity. The successful delivery of the programme is a specific aim for CFN. The holding in Fair Share Trust is by common management. The accounts of Fair Share Trust can be obtained from the offices of CFN at Angel Gate.

The transactions between CFN and Fair Share Trust relate to the cost of managing and administering the activities of Fair Share Trust. The balance owed/owing at the end of the year are shown in Notes 12 and 13.

##### 12. Debtors and prepayments

	The group		The charity	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Sundry debtors	1	4	1	4
Trade debtors	47	-	47	-
Grant debtors	4	61	4	-
Beacon Fellowship Charitable Trust	7	-	7	-
Prepayments	25	-	25	-
Due from subsidiary undertaking	-	-	4	-
	<b>84</b>	<b>65</b>	<b>88</b>	<b>4</b>

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

	The group		The charity	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade creditors	54	42	54	42
Other creditors	2	-	2	-
Accruals	15	9	15	9
Social security and other taxes	13	5	13	5
Deferred income	11	-	11	-
Due to subsidiary undertaking	-	-	-	9
	<b>95</b>	<b>56</b>	<b>95</b>	<b>65</b>

##### 14. Trustee remuneration and expenses

9 members of the board (2009 - 10) received:

	2010	2009
	£'000	£'000
Reimbursement of travel expenses	<b>6</b>	<b>5</b>

No trustee received any remuneration.

Most trustees are also either trustees or employees of our member organisations but all members, whether represented on the board or not, are dealt with on the same basis as each other.

Community Foundation Network

Consolidated notes to the financial statements

For the year ended 31 March 2010

15. Operating lease commitments

	2010	2009
	Buildings	
	£'000	£'000
1 - 3 years	55	0
Less than 1 year	-	5

16. Restricted Funds

	At 1 April 2009	Incoming Resources	Outgoing Resources	Investment Gains & Losses	At 31 March 2010
	£'000	£'000	£'000	£'000	£'000
<b>Charity</b>					
Collaboration Benefits	-	24	24	-	-
MARS in the Community	19	145	82	-	82
Big Lottery Fund BASIS SW	41	167	163	-	45
Comic Relief	-	6,083	2,496	-	3,587
<b>Total charity funds</b>	60	6,419	2,765	-	3,714
<b>Group</b>					
Fair Share - Investment	25,498	1,579	7,795	311	19,593
	<b>25,558</b>	<b>7,998</b>	<b>10,560</b>	<b>311</b>	<b>23,307</b>

Purpose of restricted funds

Fair Share	The Fair Share Trust Fund ("Fair Share") was established with money from the New Opportunities Fund, (now the Big Lottery Fund) to help some of the most deprived communities in the UK improve their quality of life.
Big Lottery Fund - BASIS SW	In December 2007 the Big Lottery Fund awarded a grant to CFN of £500,000 over three years to help develop sustainable finance for south west England community foundations. The programme is known as "Growing Grassroots".
Collaboration Benefits	CFN is part of a national partnership working with BASSAC, ACRE and IVAR to provide assistance to voluntary sector organisations to collaborate, training and research into collaboration.
MARS in the Community	MARS awarded a grant to CFN in March 2009 to manage the national programme with five community foundations on their behalf for 2009.
Comic Relief	Comic Relief awarded grants to CFN in 2009-10 to manage the national programme across the United Kingdom on their behalf for 2009 and 2010.

17. Unrestricted Funds

	At 1 April 2009	Incoming Resources	Outgoing Resources	Investment Gains & Losses	At 31 March 2010
	£'000	£'000	£'000	£'000	£'000
<b>CS Mott expendable fund</b>	148	-	-	14	162
<b>General unrestricted funds</b>	204	578	542	-	240
<b>Total funds</b>	<b>352</b>	<b>578</b>	<b>542</b>	<b>14</b>	<b>402</b>

## Community Foundation Network

### Consolidated notes to the financial statements

#### For the year ended 31 March 2010

#### 17. Unrestricted Funds (continued)

##### CS Mott expendable fund

This fund was originally established from accumulated income arising from the CAF/Mott Endowment Challenge Grant Programme to be treated as a reserve and used only by agreement with the donors on the long term development of Community Foundation Network, and to create investment income in the short term. It was reclassified as an Unrestricted Fund in 2005 with the agreement of the CS Mott Foundation.

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

	Restricted funds £'000	Unrestricted funds £'000	Total funds £'000
Tangible fixed assets	-	8	8
Fixed asset investments	16,920	-	16,920
Net Current Assets	6,387	394	6,781
<b>Net assets at 31 March 2010</b>	<b>23,307</b>	<b>402</b>	<b>23,709</b>

#### 19. Related party

In 2009, Community Foundation Network became the sole corporate member of the Beacon Fellowship Charitable Trust (BFCT). Two CFN nominated trustees' joined the board (Matthew Bowcock and Anne Boyd) of BFCT.

CFN also provides staff time and services, whose value in 2009-10 was £25,000. BFCT has not been charged for these expenses and will not be required to reimburse CFN for them.

Additionally CFN paid £15,515 of expenses in the year on behalf of BFCT but agreed to a repayment of only £6,515. The balance of £9,000 was treated as a donation to BFCT.

#### 20. Grants payable

	2010 Total £'000	2009 Total £'000
<b>(i) Fair Share Trust</b>		
Bedfordshire & Luton Community Foundation	84	232
The Birmingham Foundation	295	423
Blackpool, Wyre & Fylde CVS	135	211
Burnley, Pendle and Rossendale CVS	131	59
Cambridgeshire Community Foundation	82	148
Cheshire Community Council	206	160
Community Connections	51	59
Community Foundation for Bournemouth, Dorset and Poole	264	133
County Durham Foundation	103	102
Derbyshire Community Foundation	272	291
East London Community Foundation	58	83
Essex Community Foundation	286	243
Community Foundation for Greater Manchester	178	1,144
Hull City Ventures	133	137
Lincolnshire Community Foundation	124	246
Merseyside Community Foundation	530	583
North West London Community Foundation	50	-
Northern Ireland Community Foundation	426	740
Nottinghamshire Community Foundation	176	223
Quartet Community Foundation	110	27
Scarman Trust	-	113
Scottish Community Foundation	852	1,495
Shropshire & Telford Community Foundation	81	84

## Community Foundation Network

### Consolidated notes to the financial statements

For the year ended 31 March 2010

#### 20. Grants payable (continued)

South Yorkshire Community Foundation	313	404
Suffolk Acre	239	255
Tees Valley Community Foundation	196	247
Community Foundation for Tyne & Wear	367	273
The Community Foundation for Wales	533	603
West Lancashire CVS	137	116
Wiltshire & Swindon Community Foundation	133	102

	<b>6,545</b>	<b>8,936</b>
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#### (ii) Comic Relief

Bedfordshire & Luton Community Foundation	20	-
Berkshire Community Foundation	27	-
The Birmingham Foundation	84	-
Community Foundation for Bournemouth, Dorset and Poole	23	-
Buckinghamshire Foundation	16	-
Community Foundation for Calderdale	47	-
Cambridgeshire Community Foundation	25	-
Capital Community Foundation	104	-
Cheshire Community Council	29	-
Cornwall Community Foundation	17	-
County Durham Foundation	35	-
Cumbria Community Foundation	17	-
Derbyshire Community Foundation	33	-
Devon Community Foundation	67	-
East London Community Foundation	36	-
Essex Community Foundation	55	-
Gloucestershire Community Foundation	19	-
Hampshire & Isle of Wight Community Foundation	75	-
Heart of England Community Foundation	27	-
Herefordshire Community Foundation	12	-
Hertfordshire Community Foundation	35	-
Hull City Ventures	49	-
Kent Community Foundation	69	-
Leeds Community Foundation	40	-
Leicestershire, Leicester and Rutland Community Foundation	32	-
Lincolnshire Community Foundation	48	-
Community Foundation for Greater Manchester	100	-
Community Foundation for Merseyside	96	-
Milton Keynes Community Foundation	23	-
Norfolk Community Foundation	57	-
North West London Community Foundation	54	-
Community Foundation for Northern Ireland	87	-
Northamptonshire Community Foundation	37	-
Nottinghamshire Community Foundation	50	-
Oxfordshire Community Foundation	21	-
Quartet Community Foundation	50	-
Scottish Community Foundation	197	-
Community Foundation for Shropshire & Telford	15	-
Solihull Community Foundation	7	-
Somerset Community Foundation	32	-
South Yorkshire Community Foundation	43	-
St Katharine and Shadwell Trust	22	-
Staffordshire Community Foundation	50	-
The Suffolk Foundation	23	-
Surrey Community Foundation	36	-
Sussex Community Foundation	80	-

## Community Foundation Network

### Consolidated notes to the financial statements

For the year ended 31 March 2010

#### 20. Grants payable (continued)

Tees Valley Community Foundation	19	-
Thames Community Foundation	46	-
Community Foundation for Tyne & Wear	61	-
The Community Foundation for Wales	128	-
Community Foundation for Wiltshire & Swindon	21	-
Worcestershire Community Foundation	34	-
York and North Yorkshire Community Foundation	26	-
	<b>2,456</b>	<b>-</b>

#### (iii) Mars in the Community

Berkshire Community Foundation	38	-
Cambridgeshire Community Foundation	14	-
Leeds Community Foundation	8	-
Leicestershire, Leicester and Rutland Community Foundation	15	-
Norfolk Community Foundaion	7	-
	<b>82</b>	<b>-</b>

#### (iv) Barclays Wealth

Community Foundation for Merseyside	-	30
Community Foundation for Bournemouth, Dorset and Poole	-	30
Community Foundation for Greater Manchester	-	35
Community Foundation for Northern Ireland	-	20
Leeds Community Foundation	-	50
Quartet Community Foundation	-	55
Scottish Community Foundation	-	20
	<b>-</b>	<b>240</b>

#### (v) BASIS SW

Community Foundation for Bournemouth, Dorset and Poole	10	22
Community Foundation for Wiltshire & Swindon	22	22
The Cornwall Community Foundation	22	22
Devon Community Foundation	22	22
Gloucestershire Community Foundation	27	22
Quartet Community Foundation	22	22
Somerset Community Foundation	22	22
	<b>147</b>	<b>154</b>
	<b>9,230</b>	<b>9,330</b>

#### 21. Contingent liability

CFN participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

## Community Foundation Network

### Consolidated notes to the financial statements

#### For the year ended 31 March 2010

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The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

CFN paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 0% during the accounting period.

As at the balance sheet date there were no active members of the Plan employed by CFN. CFN has closed the Plan to new entrants but has no intention of exiting the scheme.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Investment return pre-retirement	7.6
Investment return post-retirement	
Actives/deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

## Community Foundation Network

### Consolidated notes to the financial statements

#### For the year ended 31 March 2010

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If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

CFN has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for CFN was £98,516.