

COMMUNITY FOUNDATION FOR LANCASHIRE

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

Company Number : 06383299

Charity Number : 1123229

COMMUNITY FOUNDATION FOR LANCASHIRE

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COMMUNITY FOUNDATION FOR LANCASHIRE

COMPANY INFORMATION

Bankers:	Lloyds TSB Church Street Blackburn
	Santander Bridle Road Bootle L30 4GB
	Bank of Scotland Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ
Solicitors:	Brabners Chaffe Street LLP Horton House Exchange Flags Liverpool L2 3YL
Investment Managers:	Investec Wealth and Investment Limited 100 Old Hall Street Liverpool L3 9AB
	CCLA Investment Management Ltd 80 Cheapside London EC2V 6DZ
Auditors:	Beever and Struthers Chartered Accountants Central Buildings Richmond Terrace Blackburn BB1 7AP
Registered office:	Community Foundation for Lancashire C/O CXL Chorley House Centurian Way Leyland Lancashire PR26 6TT

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The trustees (who are also directors for the purposes of company law) present their Report and the Financial Statements for the year ended 31 March 2012 for the Community Foundation for Lancashire.

REFERENCE AND ADMINISTRATIVE DETAILS

The charity, which is known as Community Foundation for Lancashire, is constituted as a company limited by guarantee and not having any share capital. The company is registered in England and Wales, Number 06383299, and its principal governing document is the company Memorandum and Articles of Association. The charity is also registered with the Charity Commission Number 1123229.

The charity is constituted as a membership organisation. There were six members at the year end.

Details of the advisers to the company are shown on page 2.

Trustees and senior staff

The persons who have acted as Trustees during the year are:

A Roberts (Chairman)	
PF Robinson	
DJ Sanderson	Resigned 12 July 2011
P Butterfield	
T Hephrun	
PG Barker	
TA Hoyle	Resigned 10 November 2011
DJ Ashton	Resigned 25 April 2011
WA Swift	
EA Hall	
J Turton	

The senior staff are:

C Elliott	Chief Executive
K Fitzgerald	Development Director

OUR OVERALL OBJECTIVES AND ACTIVITIES

Summary

The Community Foundation for Lancashire is for donors, for communities and for Lancashire. As an independent registered charity we are part of a UK and international movement of community foundations that undertakes strategic social investment, including charitable social investment, particularly grant-making, facilitates and administers community philanthropy and contributes to achieving positive social change in communities.

The Community Foundation connects donors with Lancashire's voluntary and community sector to meet local needs, tackle social issues and support community aspirations. Community foundation grant-making has taken place in Lancashire since 2003, investing over £8 million in nearly 2,000 voluntary and community groups during that time with the administrative support of Community Foundation for Merseyside. Since the Community Foundation for Lancashire was set up as a Registered Charity in 2007, we have worked to encourage local philanthropy with many local organisations and philanthropists.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Our Community Foundation trustees, staff, volunteers, donors and stakeholders support, strive for and uphold our vision, mission, strategic view and approach and also our values which are:

Our Vision being to enrich the lives of people in and around Lancashire and through them create united, thriving and prosperous communities;

Our Mission being to provide strategic grant-making that meets the needs of local communities, placing us as the charity of choice for philanthropists and funding partners and the primary grant-maker for local community and voluntary groups;

Our Values being:

- Community Leadership
- Pride
- Transparency
- Working Together

The Objects of our Charity

The objects of our charity, as set out in the Memorandum and Articles of Association, are: the promotion of any charitable purposes for the benefit of the community in the metropolitan area of Lancashire and the boroughs of Blackpool, Blackburn with Darwen and Lancashire and in particular the advancement of education, the protection of good health, both mental and physical, and the relief of poverty and sickness.

Significant Activities

The main area of our charitable activity is the awarding of charitable funding within the local community. This is achieved by raising donations from private, public and charitable sources and redistributing them (or the income they generate in the case of invested or endowed funds) as constructive grants to the local community, according to the donors' wishes. Presently, the vast majority of funds raised by the organisation are channelled through restricted revenue (or "flow-through" funds, without being invested for the long-term). The charity has relatively little unrestricted income that it can use for grant-making. Further information on grant-making activities during the year is provided in note 13.

Organisational Structure

Community Foundation for Lancashire is run by a Board of Trustees which is responsible for setting the strategic direction of the organisation, for establishing policy and for maintaining proper governance. It meets quarterly and comprises representatives of the private, public and voluntary sectors. All trustees have job descriptions and person specifications. Peter Robinson ended his three year Chairmanship in July 2011, having been our first Community Foundation Chair. Our previous Vice Chair, Arthur Roberts was appointed as Chairman in July 2011 and will serve as Chair until January 2014.

Community Foundation for Lancashire has entered into a legal contract with the Community Foundation for Merseyside (registered charity number: 1068887) to share staffing and 'back room' resources to maximise charitable funding and share significant expert support on a cost effective basis.

The Board has appointed a Chief Executive to whom it delegates responsibility for the day-to-day operational management of the organisation. This post is directly responsible to the Board and Cathy Elliott was appointed as Chief Executive on 1 August 2009.

The operational delivery is resourced by a team of 18 staff (14 full time equivalent) resourced by fee and core income and on a consultancy basis as part of a close collaboration with Community Foundation for Merseyside (as the employer) which is unique in the UK.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Trustees' recruitment and appointment

The trustees are normally appointed by the members of the company and up to one-third of the trustees will normally retire each year and be eligible for re-election at the Annual General Meeting. No places on the board are reserved for specific individuals or representatives of particular organisations.

Detailed procedures are in place for the nomination and appointment of trustees, there are also job descriptions relating to the post.

Annually the Board assesses the expertise and skills within the Board membership and proactively recruits new trustees with specific experience to ensure a full complement of expertise and skills in order to govern the charity and deliver our charitable objectives.

Induction and training of trustees

All new trustees are given an induction session by the Chairman and Chief Executive to explain the operation of the charity. Regular training for trustees takes place at least annually to update them and to ensure they are fully engaged with the work of the Community Foundation.

Our Public Benefit

The charity benefits the public by securing income for charitable programmes and funds administered by us from public and private sector, and then distributing this in collaboration with those funders as charitable funding to support charitable activities in communities as an intermediary.

Funding programmes and funds are established and developed in line with the social needs and aspirations of the local communities we serve which are identified via our local funding panels made up of community leaders, representatives from all sectors, subject experts or local donors. Decision-making is supported by our local research and consultations on social need with all sectors, especially the voluntary sector.

Before any funding is given, we carefully and thoroughly assess the charitable and public benefits of the proposed activities. The impact of our community funding is then reported to funders, donors, stakeholders, staff and the Board as a measurement of achievement, impact and social investment undertaken.

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. The charity's public benefit is now assessed on an annual basis by the Board and staff to ensure we are continually improving our performance against our charitable objects, vision, mission and strategic aims.

Grant-Making Policies

The policy of the charity is to award funding to individuals and organisations that have made a formal application for a grant, that fulfill the requirements of the relevant programme or fund and which have the necessary systems in place to administer a grant. All funding applications are subject to a formal appraisal by our staff before being presented to the local grant panel, or the donor, for a recommendation. A scoring system is used to guide decisions. All panel or donor recommendations are ratified by the Community Foundation's senior staff or trustees prior to any offer being made.

Investment powers

The Charity's Investment Powers are prescribed in its Memorandum and Articles of Association. The Board of Trustees has approved a document called 'Policies on Fund Management and Financial Control', relating to the management of all of its funds and which includes the strategies for the investment of its endowment. The purpose of investment in the endowment fund is to generate a sustainable income for (i) grant-making and (ii) meeting running costs.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The organisation has appointed professional investment managers to manage the endowment. These are currently managed by Investec Wealth and Investment Ltd for all funds outside of the Community First Endowment Challenge from 2012 – 2015 which is managed by CCLA, nominated by Government. The overall objective Investec Wealth and Investments Ltd have been set is to maintain a balanced return between income and capital. The level of risk they are permitted to take is 'medium'. Presently, the strategy dictates that most of the portfolio is invested in UK equities (40 - 80%) and fixed interest stock (10 - 30%), with cash, non-UK equities and other assets also an option. Investment in derivatives or "hedge funds" is not permitted without the express consent of the trustees. Investment performance is monitored by the board on a quarterly basis, using benchmarks such as the FT All Stocks Government Index, the FT All Share Index, the FT World Index (excluding UK) and the IPD Index as well as a comparison of the current investment managers' performance with others in the field.

For the Community First Endowment Challenge from 2012 – 2015 CCLA manages the funds based on an investment policy agreed by our UK umbrella organisation, Community Foundation Network (CFN) with approval from our Board. These funds lie in a special trust linked to our main registered charity.

Our Review of 2011/12

Our Strategic Aims & Achievements in 2011/12

We remained committed to our strategic view in 2011/12 which is that the Community Foundation for Lancashire understands the needs of local communities and donors and, by creating partnerships and involving donors, ensures that these needs are met via a social change agenda. We continued to maximise the impact of funds and resources through our extended local and UK networks, accessible funding programmes and efficient, cost and time effective processes still as a relatively young community foundation.

In 2011/12 we also created our organisational Theory of Change to understand the key interventions and contributions we needed to make to ensure the success of our work. Our Theory of Change is: "We seek and work with philanthropists to empower them to engage in targeted social investment to contribute to enriching local people's lives and supporting the creation of united, prosperous and thriving communities."

We will evaluate our Theory annually, alongside our Business Plan and annual targets.

The activities that will achieve our vision and aims are set out in a series of key strategic documents, developed by the board, staff and other stakeholders. Foremost among these is the Business Plan which covers the period of 2010 – 2013 and is reviewed annually and sets out key priorities and goals, alongside a financial plan for the next three years. The Business Plan is supported by targets in the areas of Philanthropy Development, Philanthropy Services & Programmes and Finance. In 2011/12 we completed 24 of the 34 goals in the Business Plan and aim for the remaining 10 goals to be completed by March 2013, during the 2012/13 period. We also set around 60 targets by function areas to reach or exceed in 2011/12 and we reached 95% of them with the targets remaining to hit for the new database which was delayed externally. This was jointly undertaken with Community Foundation for Merseyside in collaboration.

Financial Management & Development

Our 2011/12 financial year was a year of transition for the organisation with major Government funding programmes ending in March 2011. In 2010/11 we operated and administered public funding in the majority with only 25% of our funding from private sources at an overall level of £0.5 million. In 2011/12 this ratio switched with 25% of our funding being from public sources and 75% from private. Our funding levels for communities reduced from £0.5 million in 2010/11 to £300,000 in 2011/12. However, we had planned for this change for at least 18 months, making changes to our processes and resources appropriately. We welcomed our first financial year operating with sustainable, committed, majority private funds which was for the first time in our four year formal existence, working in the way a community foundation should be working, as seen by our UK and international peers.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The sustainability of the charity increased in 2011/12, beginning with £1.3 million in endowment funds in March 2011 raised over the previous three years with the incentive to private donors of the Grassroots Endowment Challenge under the last Government that brought committed and proactive philanthropists to work with us for the long-term. By March 2012 our endowment has risen to just under £1.8 million due to the incentive of the new Community First Endowment Challenge under the current Government and the developing long-term plans of those existing committed philanthropists, exceeding our 2011/12 target of 10% growth (30% in fact). The current Endowment Challenge offers nearly £1 million in match funds until March 2015 on a 50% match basis which will help us achieve our ambitions for stronger sustainability. This growth of our endowment has supported our aims to increase our community funding by at least 3%, ambitiously aiming for 10% a year.

We have continued to commit resources to our community leadership agenda to ensure local social impact and change and to our future sustainability via new business and growth agendas as well as to the delivery of our grant-making.

Organisational Development

In this financial year we took the opportunity to re-focus our work and aims due to operating with majority private funds. From May – August 2011 the senior staff team worked with the Chief Executive and the Board to create a staff reorganisation and resourcing plan to enable us to ensure that we had an organisational emphasis on philanthropy and were working towards moving from being a grant-maker to a social investor. Existing staff moved into revised jobs from 1 September with a 25% change in their job descriptions and were supported by an additional £5,000 training budget to ensure they excelled in their revised roles. The Grants team became the Philanthropy Services & Programmes team, taking on donor account management and administration, the Finance & Administration team became the Finance team, having handed administration over to another team, and our Development team merged with the Development team for Community Foundation for Merseyside, becoming a joint Philanthropy Development team for the two areas. Philanthropy Development therefore became more time and cost effective and built on the 'close collaboration' we have with Community Foundation for Merseyside. All staff had a role to play in the re-organisation and the new way of working was fully embedded by March 2012 for the end of the financial year.

Following our first CFN Quality Accreditation audit in 2010, we continued to develop our Board performance measurements in 2011/12 which included new trustee individual pledges set in April 2011 for 2011/12 which were then monitored. The Board also developed a greater collaboration with Community Foundation for Merseyside by agreeing to jointly appoint an auditor for the 2011/12 financial year and to hold six-monthly joint strategic Board meetings together as we have a shared Business Plan and our finances are inter-related.

In terms of enhancing the effectiveness of our operations we took part in a CFN pilot with six other UK community foundations to pilot the implementation of a new Salesforce database, replacing DIGITS which we have used since 2003. The implementation was delayed from autumn 2011 to January 2012 and we spent the last quarter of the financial year bringing the database in line with existing requirements and planning for its maximisation in 2012/13 to bring further efficiencies to our work, again in collaboration with Community Foundation for Merseyside.

Gaining Philanthropy Centre Status

One of our key targets in 2011/12 was to gain Philanthropy Centre status in our UK Network. Our donors have supported us well in our emerging work as Lancashire's Philanthropy Centre since 2010/11. CFN secured funding from Esmée Fairbairn Foundation to establish a UK Philanthropy Fellowship and we put ourselves forward in a North West consortium led by Community Foundation for Merseyside and supporting partner, Community Foundation for Cheshire to establish a North West Fellowship. Following our application in October 2011, we were announced as successful in December 2011 and began the Philanthropy Fellowship project in January 2012 to secure 10 out of the 35 Fellows, connect with 30 out of 110 people overall, inspire £1 million out of £2.5 million in giving and establish a sustainable Fellowship from January 2015. We informally launched the Fellowship with a Presidents dinner hosted by Lord Charles Shuttleworth in February 2012.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Social Investment & Grant-Making Developments

We were very aware that we had to adapt our community funding processes in 2011/12 to meet the increased demand for funding with a decreased budget compared to 2010/11 at a time of public sector funding cuts and austerity measures that impacted on the voluntary sector. This has included an even greater strategic approach to funding processes and criteria for the 12 programmes, charitable funds and foundations we administer to benefit communities in Lancashire as well as effective sign-posting to ensure support for community groups, charities and social businesses. New processes to manage demand included increasing the number of programmes with online applications from 10% in April 2010 to 75% by September 2010 to 100% by April 2012 which we achieved. We have worked hard to ensure that we meet the priority social needs, tackled the most important social issues and supported aspirations in the sector for the short, medium and long-term benefit of communities.

We awarded £119,541 in charitable funding in 2011/12 and the breakdown of funds can be found on page 23. Funds included Mark McQueen Foundation and Aldridge Foundation Fund working to achieve their philanthropic aims in and with communities. Collaborations continued with organisations such as Pennine Lancashire, New Progress Housing and Blackpool Coastal Housing to achieve their social responsibility aims.

Our Social Priorities for our community funding in collaboration with donors in 2011/12 were as follows:

- The Environment – Improving local areas and 'grot spots'
- Children & Young People – Improving local young lives and opportunities available to them
- Community Development & Cohesion – Uniting communities
- Employable Communities – Increasing training and skills development as well as employment opportunities
- Health & Well-Being – Improving local people's health
- Arts & Culture – Increasing opportunities to engage with community arts projects
- Rural communities – Tackling young people's and older people's isolation

High-lights of some of the funds and programmes are outlined below.

Another key target for 2011/12 was to lead the establishment of the UK version of Vital Signs, adapting the Community Foundations of Canada model, to create a community philanthropy guide. We began working in 2011/12 on this via a UK community foundation pilot group and created a UK pilot tool-kit with the Community Foundation serving Tyne & Wear and Northumberland in December 2011. We will be one of the leading community foundations to publicly launch Vital Signs in 2013, sharing our learning with 10 other UK community foundations. We are proud of this achievement in just four years of facilitating community philanthropy.

Working with Funders & Philanthropists

With targets to increase existing income and secure new donors, 2011/12 also saw a continued commitment from our existing donors and philanthropists with them ensuring their funds supported the voluntary sector at an important time, maintaining what worked for communities and supporting innovation where possible.

We welcomed an increase in private sector giving via new donors, especially by £150,000 in family philanthropy via the Community First Endowment Challenge. Also Santander's pilot in 2011/12 for their Social Enterprise Development Awards (SEDA) with Community Foundation for Merseyside benefited Lancashire's social enterprises.

Celebration & Recognition

We were delighted to hold our first Spirit of Lancashire Awards Night in November 2011 which saw nearly 300 people gather at the De Vere Hotel, Blackpool to celebrate community and philanthropic achievement. We are grateful to all those companies, organisations and people who supported the night to give us all a moment of celebration, reflection and inspiration for the following 12 months.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Our Links to Community Foundation Networks

We continue to have a strong relationship with CFN, the UK network organisation that represents community foundations. In particular, the senior staff team acts as active representatives at CFN's relevant forums to gain learning and best practice in philanthropy and grant-making. This includes our Chief Executive being a member of CFN's Board. We also proactively engage with some international community foundations, especially in the USA and Canada, to exchange information and best practice.

Our Key 2011/12 Partnerships

The Community Foundation has 'non-donor' relationships with many key players. Examples include Lancashire's local borough authorities, Central Government, Lancashire Police, Lancashire Fire Service and local Chambers of Commerce and business groups. Also included are our professional advisors Brabners Chaffe Street, Investec Wealth and Investment and Beevers & Struthers who have all been appointed due to their expertise, commitment to philanthropy or corporate social responsibility and being based in the region.

We have an extensive network of charities and agencies that work with us to raise awareness of our programme and funds. We especially have proactive relationships with Lancashire's Councils for Voluntary Services for outreach activities when appropriate and project development as well as SELNET (Social Enterprise Lancashire Network).

Risk 2011/12 Review

The Board of Trustees undertakes a detailed review of the risks that the organisation faces. These are published in a formal Organisational Risk Assessment. All risks identified have been addressed and mitigated as far as possible during 2011/12 and looking ahead. No identified risks remain unaddressed. The Risk Assessment is subject to formal annual review and update by the trustees, with interim monitoring on a quarterly basis by the senior staff team. The organisation also uses a formal Performance Management Framework to monitor and measure progress against a set of key organisational targets. Progress against the Framework is assessed by the staff team on a monthly basis and reported to the Board and the staff meeting on a quarterly basis, using delivery forecast system.

Contribution of Volunteers in 2011/12

We are grateful for the contribution made by the volunteers who sat on our public sector programmes grant awarding panels in 2011/12. All of our panel volunteers are inducted and trained, and generally contribute up to four or five days a year to the organisation. Their contribution of knowledge and expertise is a crucial ingredient in the success of the organisation's grant-making and in terms of ensuring local ownership and accountability.

We are also grateful to volunteers who work with us at our office to support the staff teams in delivering special projects.

The trustees also wish to note their appreciation for the support of volunteers that have advised them on the development of the Community Foundation, such as members of our Development Advisory Group, including the Group's Chair Dennis Mendoros, and Social Investment Advisory Group. Also thanks are extended to the Community Foundation's Patron and our President, Lord Charles Shuttleworth for their commitment to the work of the charity.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Factors within and outside charity's control that are relevant to the achievement of its objectives

Due to the changed economic and political landscape during 2009 to 2011 we have seen many changes and adapted to ensure we are fit-for-purpose. Key changes have included:

- Greater competition in our market from other private sector intermediaries - We continue to work hard and more creatively to attract new donors, differentiating ourselves, and ensuring that existing donors remain loyal, gaining value for money and social impact in their philanthropy, especially as a relatively young community foundation.
- Decrease in funding to the Community Foundation for core costs, including public sector support - We have implemented more sustainable practices and financing to tackle this.
- Decrease in public funding to the voluntary sector and therefore increased demand on our community funding - We have become more efficient in our practices to tackle over-subscription and using local social needs information to enhance our strategy in community funding.
- The coalition Government's 'Big Society' agenda encouraging community empowerment and the transfer of funds from private wealth to the public good - We continue to explore the Big Society agenda, and share feed-back, ideas and constructive criticism with opinion formers, representing our donors, funding recipients and our organisation.

Donations In-Kind

The Community Foundation for Lancashire has been afforded use of an office at CX Limited, Chorley House, Centurion Way, Lancashire Business Park, Leyland on an in-kind basis. We are grateful to the Councils of Lancashire County, Blackburn with Darwen and Blackpool for their support.

Our Reserves Policy

The Board has continued to endeavour to build and maintain a level of reserves appropriate to its commitments over the coming years. However, it is keen to maximise its charitable objectives and community benefit. The Board continues to ensure that reserves of four to six months running costs are held at any time as per its 2010/11 policy, in line with the Charity Commission's guidance and our own policy. For 2011/12 the reserves were unused.

Our Future Plans

We have followed since 2010/11 the aim to combine the three factors of a community foundation which is social investment (grant-making), community philanthropy and social change. We know by doing this we will achieve our strategic view that the Community Foundation understands the needs of local communities and donors and, by creating partnerships and involving donors, ensure that these needs are met.

In terms of social investment we are currently forecasting £300,000 in community funding, predominately in private funds. Funds in 2012/13 will work under the six social themes we used in 2011/12 and we will then move to the 10 Vital Signs social themes from 2013/14.

In terms of philanthropy facilitations the current Community First Endowment Challenge offers nearly £1 million in match funds until March 2015 on a 50% match basis. We welcome the new opportunity of the Community First Endowment Challenge under the current Government to grow our endowment funds and achieve our ambitions for stronger sustainability. Working in collaboration with new and existing philanthropists we aim to reach at least £4.25 million endowment funds by March 2015; at least 40% growth in funds over three years. We are very much aware that our overall aim is to reach the £30 million level, ideally in 15 to 20 years to ensure absolute sustainability for our work. Working in partnership with Community Foundation for Merseyside, we believe this is possible.

We will also work towards our growth plans against our organisational emphasis on philanthropy, ensuring we focus on securing new private funds, working in collaboration with individuals & families, trusts & foundations and companies. Our new Philanthropy Fellowship North West project will support this, working with the Community Foundations serving Merseyside and Cheshire.

COMMUNITY FOUNDATION FOR LANCASHIRE

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

In terms of contributing to social change we see the new Vital Signs as the new opportunity to create a community philanthropy guide from 2013 to guide our donors and community funding and to share the voice of the communities we serve, their stories and aspirations.

Supporting these aspects of our work, we will continue to develop our use of the new Salesforce database to its fullest potential, gaining time and cost effective opportunities for our work. We also aim to establish a full cost recovery model by April 2013 to support our work and ensure we move to a 'break-even' surplus situation year from 2014/15.

Overall our future plan is to seek and work with philanthropists to empower them to engage in targeted social investment to contribute to enriching local people's lives and supporting the creation of united, prosperous and thriving communities.

Our Auditors

The Community Foundation reviewed its auditing services due to the collaboration with Community Foundation for Merseyside and an interest to achieve some cost saving. Following a tender process, a decision was confirmed in October 2011 that Beevers and Struthers was appointed as the joint auditors for both Community Foundations for the 2011/12 financial year.

SMALL COMPANY

This report has been prepared in accordance with provisions within Part 15 of the Companies Act 2006 as they relate to small companies.

By Order of the Board

Arthur Roberts

20th September 2012

Trustee

COMMUNITY FOUNDATION FOR LANCASHIRE

STATEMENT OF THE RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2012

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Community Foundation for Lancashire for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the the Companies Act 2006.

They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In so far as the Trustees are aware there is no relevant information of which the charitable company's auditor is unaware. Additionally the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

COMMUNITY FOUNDATION FOR LANCASHIRE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMMUNITY FOUNDATION FOR LANCASHIRE

We have audited the financial statements of Community Foundation for Lancashire for the year ended 31st March 2012 on pages 15 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 12, the trustees (who are also the directors of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31st March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

COMMUNITY FOUNDATION FOR LANCASHIRE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMMUNITY FOUNDATION FOR LANCASHIRE

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Report.

Leslie Bury (Senior Statutory Auditor)

**for and on behalf of Beever and Struthers
Chartered Accountants and Statutory Auditors**

Central Buildings
Richmond Terrace
Blackburn
Lancashire
BB1 7AP

20th September 2012

COMMUNITY FOUNDATION FOR LANCASHIRE

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2012 £	2011 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	2	144,843	-	339,500	484,343	1,313,116
Investment Income	2	6,439	8,872	-	15,311	2,140
Incoming resources from charitable activities	2	16,373	184,673	-	201,046	76,507
Total incoming resources		167,655	193,545	339,500	700,700	1,391,763
Resources expended						
Cost of generating funds						
Cost of generating voluntary income	3	39,134	2,942	-	42,076	48,147
Investment management costs	3	-	-	11,715	11,715	2,062
Charitable activities	3	63,753	116,599	-	180,352	63,455
Governance	3	20,515	-	-	20,515	19,836
Total resources expended		123,402	119,541	11,715	254,658	133,500
Net incoming resources before transfers		44,253	74,004	327,785	446,042	1,258,263
Gross transfers between funds		16,615	-	(16,615)	-	-
Net incoming resources before other recognised gains and losses		60,868	74,004	311,170	446,042	1,258,263
Realised losses on investment assets		-	-	(239)	(239)	-
Unrealised gains on investment assets	10	-	-	83,386	83,386	13,737
Net movement in funds		60,868	74,004	394,317	529,189	1,272,000
Reconciliation of funds						
Total funds brought forward		46,626	3,158	1,374,777	1,424,561	152,561
Total funds carried forward		107,494	77,162	1,769,094	1,953,750	1,424,561

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

Income and Expenditure Account	2012 £	2011 £
Gross income from all sources	700,700	1,391,763
Less endowment income	(339,500)	(1,276,591)
Total Income	361,200	115,172
Total expenditure	(254,658)	(133,500)
Less endowment expenditure	11,715	2,062
Transfers from endowment	16,615	-
Net income / (expenditure) for the year	134,872	(16,266)

All amounts relate to continuing operations.

COMMUNITY FOUNDATION FOR LANCASHIRE

BALANCE SHEET FOR THE YEAR ENDED 31 MARCH 2012

	Notes	31 March 2012		31 March 2011	
		£	£	£	£
Tangible assets	9		-		164
Investments	10		1,766,051		262,175
			<u>1,766,051</u>		<u>262,339</u>
Current Assets					
Debtors	11	88,868		572,629	
Cash at bank and in hand		<u>138,498</u>		<u>626,338</u>	
		<u>227,366</u>		<u>1,198,967</u>	
CREDITORS: amounts falling due within one year	12	<u>(39,667)</u>		<u>(36,745)</u>	
Net Current Assets			<u>187,699</u>		<u>1,162,222</u>
Net Assets			<u>1,953,750</u>		<u>1,424,561</u>
The Funds of the Charity					
Endowment Funds (including a Revaluation Reserve of £97,511 (2011:£14,387))	15		1,769,094		1,374,777
Unrestricted Funds	14		107,494		46,626
Restricted Funds	13		77,162		3,158
Total Charity Funds			<u>1,953,750</u>		<u>1,424,561</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board of Trustees and authorised for issue on 20th September 2012

Arthur Roberts
Trustee

Company Registration No. 06383299

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES

1.1 Accounting basis

- (a) The financial statements have been prepared under the historical cost convention modified by the inclusion of investments at market value and in accordance with applicable accounting standards, the Statement of Recommended Practice "Accounting and reporting by Charities" (SORP 2005).
- (b) Incoming resources are included in the Statement of Financial Activities (SOFA) when they become receivable, except donations and gifts in kind. Donations are included when they are received. Gifts in kind are valued at an estimate of market value.
- (c) Resources expended are included in the SOFA on the accruals basis based on work done or services provided in the period.
- (d) Grants payable are recognised as expenditure when the commitment is made.
- (e) Costs of Generating Funds includes the cost of brochures, advertising, fundraising and other promotional events designed to increase public awareness of the Foundation, together with other costs directly attributable to fundraising activities.
- (f) Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes costs that can be allocated directly to such activities and those costs of an indirect nature.
- (g) Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include costs linked to the strategic management of the charity.
- (h) All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis as set out in note 3.
- (i) Voluntary help received by the Foundation has not been valued, in accordance with the SORP.

1.2 Tangible fixed assets

Depreciation is provided to write off the cost of each asset over its expected useful life using the following rates and methods:-

Office equipment	25% per annum
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Tangible fixed assets under £500 are not capitalised.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES (continued)

1.3 Fixed asset investments

Investments are included at market value at the balance sheet date. Any gain or loss on revaluation is taken to the SOFA.

1.4 Pensions

The company contributes to individual personal pension policies for its employees. Contributions are charged to the SOFA in the period in which they relate.

1.5 Fund accounting

Unrestricted funds are incoming resources receivable or generated for the objects of the charity without further specified purpose and which can be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Endowment funds are held for long term income generation for the Foundation. Income generated from the funds is distributed in accordance with the wishes of the original donor.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2 INCOMING RESOURCES	2012 £	2011 £
Voluntary Income		
Endowments Received	339,500	1,276,591
Donations	20,079	28,000
Grants	100,000	-
Sponsorship / Events / Members	22,964	6,500
Gifts in kind - use of office	1,800	2,025
	<u>484,343</u>	<u>1,313,116</u>
Incoming Resources from Charitable Activities		
Blackpool Coastal Housing	79,030	26,998
Blackpool Council	85,000	-
Community Foundation Network	2,200	-
Grassroots Grant	-	19,201
Jim Hosker Memorial Fund	1,852	-
Lancashire 100 Club	1,500	1,672
Local Giving	7,800	-
Pendle Music Bursary Fund	10,000	-
Pennine Lancashire Youth Enterprise Fund	5,568	-
Rank Foundation Grant	-	18,000
Ribble Valley Fund	-	10,636
Surviving Winter Appeal	8,096	-
	<u>201,046</u>	<u>76,507</u>
Investment Income		
Bank Interest	334	336
Investment Income	14,977	1,804
	<u>15,311</u>	<u>2,140</u>
Total Incoming Resources	<u>700,700</u>	<u>1,391,763</u>

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3 TOTAL RESOURCES EXPENDED

	Basis of Allocation	Voluntary Income	Charitable Activities	Investment Costs	Governance	Total 2012	Total 2011
Grants Paid (see note 4)	Direct	-	116,599	-	-	116,599	26,570
Staff Costs (see note 6)	Direct	27,596	7,886	-	3,943	39,425	36,325
Staff Healthcare	Direct	156	44	-	22	222	120
Training	Direct	-	-	-	-	-	1,230
Subscriptions	Direct	-	120	-	390	510	412
Website	Direct	228	228	-	-	456	331
Printed Materials	Direct	100	100	-	-	200	258
Board Meeting exps	Direct	-	-	-	450	450	315
Publicity & Advertising	Direct	-	-	-	-	-	9,069
Investment Management costs	Direct	-	-	11,715	-	11,715	2,062
Grants Management - CFM*	Direct	-	16,127	-	-	16,127	11,064
Sundry expenses	Direct	176	176	-	-	352	-
Consultancy CFM*	Usage	10,095	20,191	-	10,095	40,381	32,869
Events	Usage	-	18,034	-	-	18,034	-
Legal & Professional	Usage	-	-	-	15	15	4,717
Audit Fees	Usage	1,400	-	-	5,600	7,000	3,525
Bank Charges	Usage	-	267	-	-	267	92
Travel exps	Staff time	720	179	-	-	899	2,400
Postage, Stationery & Telephones	Staff time	34	8	-	-	42	119
Office costs (Rent in kind)	Staff time	1,440	360	-	-	1,800	1,858
Depreciation	Staff time	131	33	-	-	164	164
		42,076	180,352	11,715	20,515	254,658	133,500

*Community Foundation for Merseyside

Staff costs include £2,942 in restricted grant funding.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4 GRANTS PAID

All the charitable activities undertaken by the charity represent grantmaking. Further details about the grants made in the year can be seen in Note 13.

5 NET INCOMING RESOURCES	2012	2011
	£	£
Net incoming resources are stated after charging:-		
Depreciation	164	164
Auditors remuneration	4,000	3,525
	<u>4,164</u>	<u>3,689</u>

6 STAFF	2012	2011
	£	£
Wages and salaries	35,676	32,000
Social security costs	3,115	3,365
Pension contributions	634	960
	<u>39,425</u>	<u>36,325</u>

No employee earned £60,000 p.a. or more

7 STAFF NUMBERS

The average number of employees during the year was as follows:

	2012	2011
	No.	No.
Management	1	1
Development	1	-
	<u>2</u>	<u>1</u>

8 TAXATION

As a registered charity, the company is exempt from taxation on the income and gains arising out of its charitable activities.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

9 TANGIBLE FIXED ASSETS	Office Equipment	Total
Cost	£	£
At 31 March 2011 and 2012	<u>656</u>	<u>656</u>
Depreciation		
At 31 March 2011	492	492
Charge for year	164	164
At 31 March 2012	<u>656</u>	<u>656</u>
Net book value		
At 31 March 2012	<u>-</u>	<u>-</u>
At 31 March 2011	<u>164</u>	<u>164</u>
10 INVESTMENTS		
	2012	2011
	£	£
Listed Investments		
Market value at 31 March 2011	255,548	39,453
Additions	1,021,393	202,358
Disposals at market value	(3,024)	-
Revaluation gain	83,386	13,737
Market value at 31 March 2012	<u>1,357,303</u>	<u>255,548</u>
Cash deposits in the UK - Investec	70,748	6,627
Cash deposits in the UK - CCLA	338,000	-
Total Investments	<u>1,766,051</u>	<u>262,175</u>
Historical cost	<u>1,668,540</u>	<u>247,788</u>
Listed Investments		
UK investments	857,812	140,644
Overseas and other investments	499,491	114,904
	<u>1,357,303</u>	<u>255,548</u>

The trustees consider individual investment holdings in excess of 5% of the portfolio value to be material. No individual shareholdings or investments are considered individually to be material.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

11 DEBTORS	2012	2011
	£	£
Grants	48,582	554,659
Other debtors	39,786	17,970
Prepayments	500	-
	<u>88,868</u>	<u>572,629</u>

12 CREDITORS: amounts falling due within one year	2012	2011
	£	£
Grant creditors	12,634	-
Other creditors	22,439	36,745
Accruals	4,594	-
	<u>39,667</u>	<u>36,745</u>

13 RESTRICTED FUNDS	As at 31 March 2011	Movement in Resources			As at 31 March 2012
	£	Incoming £	Outgoing £	Transfers £	£
Blackpool Coastal Housing	-	74,193	(74,193)	-	-
Blackpool Council Fund	-	76,500	(28,196)	-	48,304
Community Foundation Network	-	2,200	(1,100)	-	1,100
Jim Hosker Memorial Fund	-	1,852	(1,852)	-	-
Lancashire General Fund	145	639	-	-	784
Lancashire 100 Fund	873	1,522	-	-	2,395
Lancashire County Developments Fund	201	175	-	-	376
Local Giving	-	7,555	(7,091)	-	464
Mark McQueen Foundation	-	829	-	-	829
New Progress Housing Fund	-	1,301	-	-	1,301
Pendle Music Bursary Fund	-	9,000	-	-	9,000
Pennine Lancashire Youth Enterprise Fund	-	4,568	(3,000)	-	1,568
Rank Foundation	1,842	-	(1,842)	-	-
Ribble Valley Fund	-	206	(222)	-	(16)
Rosendale Community Fund	97	713	-	-	810
Surviving Winter Fund	-	7,305	(2,045)	-	5,260
WO Street Fund	-	4,987	-	-	4,987
	<u>3,158</u>	<u>193,545</u>	<u>(119,541)</u>	<u>-</u>	<u>77,162</u>

All funds available, together with the criteria, priorities and application process are detailed on our website at www.lancsfoundation.org.uk.

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

14 UNRESTRICTED FUNDS	As at	Movement in Resources			As at
	31 March 2011	Incoming	Outgoing	Transfers	31 March 2012
	£	£	£	£	£
Unrestricted Funds	46,626	167,655	(123,402)	16,615	107,494

15 ENDOWMENT FUNDS	As at	Movement in Resources		Net gain on	As at
	31 March 2011	Incoming	Outgoing	investments & Transfers	31 March 2012
	£	£	£	£	£
Permanent endowment	132,054	-	(1,125)	7,987	138,916
Expendable endowment	1,242,723	339,500	(10,590)	58,545	1,630,178
	<u>1,374,777</u>	<u>339,500</u>	<u>(11,715)</u>	<u>66,532</u>	<u>1,769,094</u>

Included in the above figures are the following significant funds:

	31 March 2011			31 March 2012	
	£	£	£	£	£
Permanent endowment:					
Rossendale Community Fund	105,983	-	(903)	7,114	112,194
Expendable endowments :					
Mark McQueen Foundation	128,205	-	(1,092)	7,862	134,975
New Progress Housing Tenants' Fund	200,000	-	(1,704)	12,236	210,532
Pendle Music Bursary Fund	-	100,000	-	-	100,000
Rumi & Rishi Fund	-	200,000	-	-	200,000
W O Street Foundation Fund	796,114	-	(6,784)	17,126	806,456

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS	Investments	Net Current	Total
		Assets	
	£	£	£
Endowment Funds	1,766,051	3,043	1,769,094
Restricted Funds	-	77,162	77,162
Unrestricted Funds	-	107,494	107,494
	<u>1,766,051</u>	<u>187,699</u>	<u>1,953,750</u>

COMMUNITY FOUNDATION FOR LANCASHIRE

NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 31 MARCH 2012*

17 TRUSTEES' EXPENSES

No trustees have received remuneration. During the period no trustees were reimbursed travelling expenses (2011 - no trustees reimbursed).

18 RELATED PARTY TRANSACTIONS

Mr DJ Sanderson was a trustee during the year and is Chief Executive of the Rank Foundation which has awarded the Community Foundation for Lancashire with grant funding for a development and fundraising post over a three year period.

Jo Turton is Executive Director for the Environment with Lancashire County Council who have provided core funding for the foundation.