

**COMMUNITY FOUNDATIONS FOR
LANCASHIRE AND MERSEYSIDE**

**FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017**

Company Number : 03422207

Charity Number : 1068887



GROWING STRONGER COMMUNITIES TOGETHER

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Registered office: Community Foundations for Lancashire and Merseyside
Third Floor
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Bankers: Santander
Bridle Road
Bootle
L30 4GB

Solicitors: Brabners LLP
Horton House
Exchange Flags
Liverpool
L2 3YL

Investment Managers: Rathbones Investment Management Ltd
Port of Liverpool Building
Pier Head
Liverpool
L3 1NW

Investec Wealth & Investment Ltd
The Plaza
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

Financial Advisers: Parker Kelly Financial Services
Vincent House
17 Stanley Street
Liverpool
L1 6AA

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
TRUSTEES REPORT**

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 2017 for the Community Foundations for Lancashire and Merseyside (formerly known pre April 2014 as Community Foundation for Merseyside and Community Foundation for Lancashire) hereafter referred to as CFLM.

REFERENCE AND ADMINISTRATIVE DETAILS

The charity, CFLM, is constituted as a company limited by guarantee and not having any share capital. The company is registered in England and Wales, number 3422207, and its principal governing document is the company Memorandum and Articles of Association (as amended by special resolution on 4 December 2013 and formerly merged on 1 April 2014). The charity is also registered with the Charity Commission, number 1068887.

Trustees and Senior Staff

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

A Roberts, Chairman

A Myers, Vice Chair

S Barrow, Treasurer (Resigned 26th April 2017)

C Bliss

A Meachin

B Murphy

D Wareing

The senior staff during the year were:

C Elliott, Chief Executive Resigned 31st December 2016

R Brooke was appointed Chief Executive on 1 April 2017.

K Morris, Community Philanthropy Director

S Mitchell, was appointed Finance Director 13th June 2016

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Summary of our Purpose & Aims

The Community Foundations for Lancashire & Merseyside operate as one independent registered charity and are part of a UK and international movement of community foundations that distribute community funding, including via grant-making, facilitate and administer community philanthropy as a North West regional philanthropy hub and contribute to achieving positive social change as local community leaders.

- Our Vision is to enrich the lives of people in and around Lancashire and Merseyside and through them create united, thriving and prosperous communities.
- Our Mission is to invest funding strategically under charity law that meets the needs of local communities, placing us as the charity of choice for philanthropists and funding partners, and the primary funder for the areas' social sector.
- Our Strategy is to understand the needs of local communities and philanthropists and, by creating partnerships and involving philanthropists, to ensure that these needs are met, growing stronger communities in partnership.
- 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."

Our Values are: Pride, Transparency, Working Together and Community Leadership

Our 2016/17 Annual Review

Introduction

Community Foundation funding distribution has taken place in Merseyside since 1999 and in Lancashire since 2007, investing in total around £50 million in over 13,000 voluntary and community groups during that time across Lancashire and Merseyside to support communities to be prosperous and thriving.

Overview of 2016/17

The 2016/17 year was a successful year in terms of fund growth and development. In administering over 50 funds and foundations in 2016/17 we distributed £1.8 million. This included 483 grants to community groups to across Lancashire and Merseyside, as well as 30 grants to groups outside of our regions. Our joint endowment fund stood at £13 million by March 2017, having begun endowment building in 2007 with around £130,000. This joint investment is a significant contributor to our sustainability as well as to ensure community philanthropy in Lancashire and Merseyside for future generations.

Lancashire Flood Appeal

We continue to distribute monies (£155,000 remaining) to flood victims in Lancashire, predominantly around resilience. £10,000 has been ring fenced to ensure we have funds available to launch an emergency appeal and respond to immediate need should a situation arise.

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Other Significant Events in 2016/17

Having previously delivered a five year scheme to grow social enterprises in the UK we continued with our successful relationship with Santander this year by supporting the Santander Foundation through the delivery of a Community Solutions grant programme. The £300,000 UK wide fund was delivered in partnership with Community Foundations in London, Scotland, Wales and Northern Ireland. This programme awarded grants of up to £5,000 to registered charities, CIC's and Credit Unions to deliver projects under three key themes of improving people's money management, supporting skills and experience to reduce social isolation and projects which created innovative solutions to social challenges.

We began a new partnership with United Utilities delivering the Lancashire Community Fund. This significant fund of £858,000 has been created to support community groups and charities that work to help vulnerable people particularly addressing issues of social and economic deprivation & isolation; debt and afford ability; mental health; ageing plus the environment that have a detrimental impact on their health and wellbeing. 2016/17 saw the first grants awarded from the fund that will continue until 2018/19.

Our Work as the North West region's Philanthropy Hub

We administered over 50 funds and foundations in 2016/17, working in collaboration with philanthropists, families, trusts and companies who are committed to improving local lives. This work included administering 11 funds in Lancashire, 33 funds in Merseyside, 5 across the region and 1 across the UK. As Philanthropy Hubs we strive to support those who choose to work with us to be effective in their giving and to have the greatest impact. We thank all our Fund Holders who work with us collaboratively each year for and with communities.

We also staged a private reception with the Governor of the Bank of England Mark Carney and a number of our supporters within the North West business community. The Governor of the Bank of England's visit was due to a partnership between the Community Foundations and Liverpool John Moores University Roscoe Lecture Series. Mark Carney is a public supporter of the Community Foundation movement both in Canada and the UK and he discussed the need for businesses to be rooted in their local communities.

Working with Philanthropists and their Families

We continue to work with many business leaders with connections in the North West, facilitating their local giving for communities, including Sir Michael Bibby and Sir Terry Leahy. We also work closely with a number of families such as the McQueen family for The Mark McQueen Foundation, the Barnett family for the Olivia Rae Foundation, and the Lancaster family for the Lancaster Foundation.

Working with Trusts & Foundations

Trusts and Foundations who work with us include the Fort Foundation, John Goore Charity, Lancaster Foundation, WO Street Foundation and the Westminster Foundation. In 2016/17 we worked with Halton Council to transfer a number of dormant and inactive trusts to establish the Halton Foundation, distributed funds on behalf of Comic Relief, and supported the John Laing Trust to encourage more applications from groups in Lancashire.

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE

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TRUSTEES REPORT

Working with Companies

Liverpool ONE Foundation remains the biggest corporate foundation held with CFLM and in 2016/17 reached the £2 million milestone. Taking on board our 2016 Vital Signs findings that young people's mental wellbeing was one of the priorities for the city region, the Liverpool ONE Foundation began consultations in 2016 with community leaders on the current funding and community priorities. As a result, funding in 2017/18 will be allocated to this priority.

CFLM continued their annual work with North & Western Lancashire Chamber of Commerce on the BIBAs Foundation, linked to the BIBAs to recognise good corporate citizenship in the county and support local community work and enterprise.

We thank all the companies that choose to work in collaboration with us to support the communities in which they employ and do business, including Hill Dickinson, Investec, Liverpool ONE, Medicash, TilneyBestInvest and Shop Direct.

Unlocking Dormant and Inactive Trusts

The Halton Foundation which was launched in February 2016 was the result of two years work with local partners, our trustees and the Charity Commission to bring these charitable assets back to life. The work of the foundation began in 2016/17 to distribute funds against the original objects of the trusts transferred.

Our work in this area continues with the backing of the Charity Commission as a pre-approved administration option for trusts and foundations that are inactive, ineffective or dormant.

Working with New Donors and Fund Holders

The Charity Commission's endorsement of community foundations as an alternative to registering a charity provides a welcomed endorsement of our work locally and as a UK network of 46 community foundations.

The Charity Commission states that "this saves the time and effort of setting up and running a charity then closing it once the original need has been met. Depending on the charity, you can say where you want the money to go."

Our approach to income generation and fund development to bring on board new fund holders involves working with existing and new donors with a significant presence in Lancashire and Merseyside who are committed to our local communities. Via research, project visits, meetings, events and community funding distribution we have built valuable relationships with these existing and new private donors, and the majority have committed endowment donations or annual donations over a period of time. Significant donations to CFLM in 2016/17 are £100,000 or more.

We secure public sector funding programmes via tender or pitch processes, in line with their requirements and policies for the distribution of public funds. We secure contracts to be regional or local agents of funding programmes, such as Comic Relief, via our umbrella body, UK Community Foundations as Quality Accredited Community Foundations.

We thank all those people and organisations who have committed to donating and working with us, especially in building endowment funds with us, for current and future generations of communities.

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE YEAR ENDED 31 MARCH 2017 TRUSTEES REPORT

Our Investment in Communities

In administering over 50 funds and foundations in 2016/17 we distributed nearly £1.8 million to 513 recipients. This included 483 grants to community groups to across Lancashire and Merseyside, as well as 30 grants to groups outside of our regions. We supported vulnerable individuals, households in need, community groups, resident's associations, charities and social enterprises to improve the lives of local people across 12 social themes. The 56% success rate for applications in 2016/17 demonstrates primarily a continued demand for community project and organisational funding.

A breakdown of our overall funding approved for distribution to communities is outlined below.

Total Funding Lancashire and Merseyside and Other: £1,790,202

56% applications were successful and of the successful awards:

- 264 grants were distributed in Lancashire
- 222 grants were distributed in Merseyside
- 30 grants were distributed across the rest of the UK.

Average Award Size:

- Average Award Size: £4,097
- Lancashire: £4,778
- Merseyside: £2,674
- Other: £8,229

Funding For Lancashire

Funding was distributed in Lancashire in 2016/17 via 264 awards distributed to community groups and social enterprises by the Community Foundation for Lancashire. Our average award size for 2016/17 was £4,778, a notable increase on our 2015/16 average of £2,337, reflecting a number of large grant programmes administered throughout the year.

For detailed distribution details by area please refer to our Vital Signs publication available on our website: <http://www.lancsfoundation.org.uk/Knowledge>.

Funding For Merseyside

Funding for Merseyside in 2016/17 was distributed to communities via 222 awards distributed to community groups and social enterprises by the Community Foundation for Merseyside. Our average award size was £2,674 which was a small decrease on 2015/16's average grant size of £2,987.

Funding Across the Region

We distributed 30 awards in 2016/17 outside of our typical Lancashire and Merseyside area. This was especially due to our work with a number of fund holders who wished to support work across the country in addition to their grant-making in Lancashire and/or Merseyside.

Our Community Leadership

We are committed to our strategic view to understand the needs of local communities and donors and, by creating partnerships and involving donors, ensure that these needs are met via a social change agenda. Our community knowledge is increasing in its importance and further informs many aspects of our work. Our annual Vital Signs giving guides have moved from a pilot in 2013 – 2014 to an annual publication,

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highlighting community concerns and priorities to guide giving and our grant-making in Lancashire and Merseyside.

Vital Signs remains Lancashire's and Merseyside's first giving guide for charitably-minded people and businesses as well as philanthropists and charitable trusts of all kinds who have a common passion for communities. Our Vital Signs guides are a combination of national and local data, social intelligence and the results of community consultations to provide a voice for local communities on their concerns and aspirations to guide philanthropists' giving.

Our 2017 Vital Signs guides will report on the impact across Lancashire and Merseyside in relation to the top three key themes identified in previous reports.

Our Governance

The merger of Community Foundation for Lancashire and Community Foundation for Merseyside in April 2014 was a significant milestone in our continued commitment to be relevant and contemporary for our stakeholders, especially communities and philanthropists. This merger continues to reap benefits, especially in the way that our Board operates in a time and cost effective way against compliance and UKCF Quality Accreditation standards.

Our Board since the merger is clearly defined in the following ways:

- A third representing Lancashire;
- A third representing Merseyside;
- A third made up of specialists, such as legal, finance and grant-making.

Via this approach written into our governing document we are able to maximise our reach, representation, expertise and influence across Lancashire and Merseyside.

Our Board increasingly takes a 'business-like' approach in a charitable context to ensure CFLM is on a sustainable pathway and is fit-for-purpose in an ever-changing economic and policy landscape.

Our Financial Management & Growth

The Community Foundations operated for the fifth year with majority private funds, compared to majority public funds in 2011/12. The surplus for the year ended 31 March 2017 ensured we met our three year target of breakeven year-end results at least every three years. From our current £13 million endowment funds held, our ambition is to reach a minimum of £20 million held by 2020 and a maximum of £37 million by 2030 for full sustainability. We plan for the excess reserves to be invested primarily in our growth and for organisational improvements as finances allow.

During 2016/17 a comprehensive review of investment management performance resulted in lower investment management costs and a move from three investment managers to two retained teams at CCLA and Investec. This change has enabled us to streamline investment reporting and continue a focus on ensuring the best investment returns from our endowment funds.

Our Organisational Development

The Community Foundations operate in an ever changing economic and political landscape at this time. Due to this we work proactively to be fit for purpose and relevant to our communities as Lancashire and Merseyside's local community foundations. During our previous strategic plan period of 2013 to 2017 the

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Community Foundations made the successful transition from majority public funding to majority private funding to operate in a new environment and enhance our work as a philanthropy hub.

Our organisational structure established in April 2013 proved effective and valuable to us in 2016/17, operating with 13 staff (approx. 11 full-time equivalents), working across the functions of Community Philanthropy (seven staff), Operations (three staff) and Organisational Effectiveness (three staff). With the Board's support, we delivered in full our Business Plan goals for the financial year and 2013 to 2017 Business Plan period which carried a theme of moving from majority public to majority private funding with a 'business-like' approach. The commitment and passion of our staff team is hugely valued as we deliver our growth, community leadership and philanthropy development agenda.

The Senior Management Team comprise the Key Management Personnel of CFLM and is represented by the Chief Executive, Philanthropy Director and Finance Director. Remuneration levels are set according to salary bands which had been benchmarked by reference to other community foundations within the UK Community Foundation network. Annual performance objectives are set by reference to Key Performance Indicators agreed by the board.

Our former Chief Executive, Cathy Elliott left the organisation, after completing ten years of dedicated service, on 31 December 2016. Rae Brooke joined us as Chief Executive at the beginning of the financial year 2017/18. During the interim, Karen Morris and Sarah Mitchell supported Rae Brooke who volunteered her skills and experience from 24 January 2017 until her formal appointment on 1 April 2017. Our new Chief Executive brings in excess of 27 years of commercial experience and expertise from a wide range of sectors including seven years in the public sector and a secondment to Chicago, USA attracting global inward investment from multinationals.

Key Partnerships

The Community Foundations have 'non-donor' relationships with many key players. Examples include local borough and district authorities, central Government and local business groups, including Knowsley Chamber of Commerce, North & Western Lancashire Chamber of Commerce and the Liverpool City Region Local Enterprise Partnership. Also included are our professional advisors Brabners, CCLA, Investec, Parker Kelly and Beever & Struthers who have all been appointed due to their expertise, commitment to philanthropy or corporate social responsibility and being based in the region.

We also work locally with other infrastructure charities to work together to strengthen the social sector, especially at this time of public sector funding and policy changes, including Councils for Voluntary Services, Volunteer Centres and the new VS6 Forum for Merseyside, chaired by Ellen Loudon of Liverpool Diocese. Nationally we work with and are supported by our membership organisation, UK Community Foundations and exchange practice with colleagues internationally, particularly from the Community Foundations of Canada movement.

Our Patron, President and Volunteers

The Board particularly wish to note their appreciation and support of the Community Foundation for Merseyside's Patron, Cherie Blair and our Presidents, Lord Shuttleworth, the Lord Lieutenant of Lancashire and Dame Lorna Muirhead. Dame Lorna Muirhead stepped down as President on retirement from her role as Lord Lieutenant of Merseyside after 11 years and we would like to thank her for her dedicated support of the Foundations.

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We are grateful for the contribution made by the volunteers who are champions and ambassadors for our work, including panel members who recommend our community funding distribution. All of our panel volunteers are inducted and trained, and generally contribute up to four or five days a year to the organisation to help us to distribute funding effectively to communities. Their contribution of knowledge and expertise is hugely valued in the success of our community investment and in terms of ensuring local knowledge and accountability.

Our Donations In-Kind

The Community Foundation has been afforded use of an office by Liverpool ONE and the Westminster Fund at 3rd Floor Stanley Building, 43 Hanover Street, Liverpool on an in-kind basis as our main office for which we are grateful. We are also grateful to the hosts of our Lancashire office space in Preston, the North & West Lancashire Chamber of Commerce.

Planning for 2017/18 onwards

In early 2017 we confirmed and started developing our aims for 2017/18 which included setting Key Performance Indicators to achieve return on investments on a 5% return basis, growing our endowment fund by at least £400,000 a year and ambitiously £2 million a year, improving our use of our digital and database tools and diversifying our community funding options to meet social sector needs.

Our Strategic Objectives in 2017/18 – 2019/20 will be:

1. We will be informed by our community knowledge;
2. We will enable social change in our communities as their local community foundation;
3. We will grow community philanthropy for Lancashire and Merseyside;
4. We will deliver as the North West's leading philanthropy hub;
5. We will continue to operate on a sustainable pathway;
6. We will continue to be business-like as a charitable entity;
7. We will work together with others for our communities and our network.

We will monitor our progress quarterly during 2017/18 against an annual plan and KPIs and our three year strategic aims in yet a new economic and policy environment, being informed and driven by our community knowledge.

Overview of our Governance & Operations

The Objects of our Charity

The objects of our charity, as set out in the CFLM Memorandum and Articles of Association, are the promotion of any charitable purposes for the benefit of the community in the United Kingdom but primarily within the following areas:

- the five Metropolitan Boroughs presently constituting the area of the County of Merseyside namely the City of Liverpool and the Metropolitan Boroughs of Wirral, Sefton, Knowsley and St Helens together with the area of Halton Borough Council;
- the County of Lancashire and the Boroughs of Blackburn with Darwen and Blackpool

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

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community, according to the donors' wishes. The charity has relatively little unrestricted income that it can use for grant-making.

Our Organisational Structure

The Community Foundations have operated since 1 April 2014 as one organisation for cost and time efficiencies due to a successful collaboration, especially since 2009 and merger in April 2014. There are two function areas of Community Philanthropy plus Finance and Operations with 13 staff (approx. 11 full-time equivalents) working across them, led by a Senior Management Team of three staff, including the Chief Executive.

The Board appointed a Chief Executive to whom it delegates responsibility for the day-to-day operational management of the organisation.

The Community Foundations are 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 and/or experts in the private, public and voluntary sectors. Average trustee attendance is 85%-90% with absences typically due to holiday/sickness. All trustees have job descriptions and person specifications. Our Chair Arthur Roberts was appointed as joint Chair in October 2013 in preparation for the merger in April 2014.

The Board delegates responsibility to sub-committees, if required due to the Community Foundations' need. The Finance and Risk Committee was established to address in year financial and operational challenges. The Committee convened twice in the year ended 31 March 2017.

Trustee Recruitment, Appointment and Development

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. Trustees can serve two terms of three years with re-election for each term and a third three year term if there is a case for the organisation's business plans. 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.

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 for public benefit. All new trustees are given an induction session by the Chairman and Chief Executive to explain the operation of the charity. Regular training and tailored up-dates for trustees take place to update them and to ensure they are fully engaged with the work of the Community Foundations.

Our Public Benefit

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 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 social aims.

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 and donors as

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charitable funding to support charitable activities in communities as a charitable intermediary. Funding programmes and funds are established, developed, decided upon and monitored in line with the social needs and aspirations of the local communities we serve which are identified by local community leaders, subject experts or local donors as well as social intelligence, data, research and community consultations.

Funding is used towards (but not restricted to) the following purposes, provided that in each case, the purpose is recognised as being charitable according to the law of England and Wales:

- The prevention or relief of poverty;
- The advancement of education;
- The advancement of health or the saving of lives;
- The advancement of citizenship or community development, which includes: rural or urban regeneration; and the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of charities;
- The advancement of the arts, culture, heritage or science;
- The advancement of amateur sport;
- The advancement of human rights, conflict resolution or reconciliation, or the promotion of religious or racial harmony, or equality and diversity;
- The advancement of environmental protection or improvement;
- The relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage;
- The promotion of the efficiency of: the armed forces of the Crown; police; fire and rescue services; or ambulance services.

Funding is not to be used to support the following:

- The advancement of religion;
- The advancement of political beliefs or party politics;
- Activities understood to be the exclusive responsibility of statutory authorities;
- Retrospective funding (i.e. paying for costs incurred before a decision on an application to CFLM for support can be made);
- The funding of any public or private sector compensation and / or mitigation.

The policy of the charity is to award funding to individuals and organisations that have made a formal application for a grant, that fulfil 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 and process is used to guide decisions. All panel or donor recommendations are ratified by the Community Foundations' senior staff or trustees prior to any offer being made. Funding distributed is reported quarterly to the Board by fund, locality and social theme.

Before any funding is distributed, 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 the social impact achieved.

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.

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The purpose of investment in the endowment fund is to generate a sustainable income for (i) grant-making and (ii) meeting running costs.

The organisation has appointed professional investment managers to manage the endowment. During the year these were managed by: CCLA, Rathbone Investment Management and Investec. As approved by Board and following a tender process, effective 1 October 2016 investments are to be managed by CCLA for public sector funds and charitable trust transfers, and Investec for corporate and individual endowment donations.

Investment performance targets are issued annually to investment managers; within a framework of maintaining a low to medium risk portfolio, investment performance is measured by the board and finance committee. Each manager is required to maintain a diversified portfolio, with focus on UK and overseas equities, debt instruments and cash; 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. Investment performance is reported to Board on a quarterly basis and reviewed annually. In 2017 CFLM conducted an extraordinary review of investment managers, with primary focus placed on total return performance of each manager over the period 2011-2017. As part of that process Investec and CCLA were reappointed as investment managers.

For the Community First Endowment Challenge from 2012 – 2015 CCLA manages the funds based on an investment policy agreed by our UK umbrella organisation, UKCFs with approval from our Board. Although not classified as permanently endowed funds, CCLA manage funds under a total return policy, calculating the indexed value of the initial donation on an annual basis and enabling withdrawal of surplus over and above this figure to supplement income received during the year. This method of calculation has been applied since commencement of the programme so can be precisely calculated by CCLA.

In 2016/17, the board of trustees decided not to withdraw surplus funds in CCLA investment, this decision was made considering the performance of CCLA investments in the year ended 31 March 2016 with only immaterial gains achieved in excess of RPI.

Our Risk Reviews

Our Board of Trustees undertakes a regular review of the risks that the organisation faces; these are published in a formal Organisational Risk Register and are reported in a Charity Commission advised 'heat map' format quarterly to Board.

All risks identified have been addressed and mitigated as far as possible during 2016/17 and looking ahead, and 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 traffic light system to monitor and measure progress against a set of key organisational targets. Progress against target is assessed by the staff team on a monthly basis and reported to the Board on a quarterly basis, using a delivery forecast system.

Our Reserves Policy

Our 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 public benefit. The Board continues to ensure that reserves of six months running costs are held at any time as

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per our policy, in line with the Charity Commission's guidance. For 2016/17 the unrestricted reserves were £271,314 at the end of the financial year. CFLM has built joint reserves as per the policy and covered the budget deficit and core costs jointly as appropriate for sustainability, especially investment in our growth. Any reserves held above the six month policy level are linked to a Reserves Spending Plan, regularly reviewed and approved by the Board to support CFLM's development and sustainability.

Our Auditors

The Community Foundations reviewed its auditing services at its AGM in October 2016. Beever and Struthers have been appointed by both Community Foundations from 2011/12 – 2016/17 as our auditors. An audit tender was conducted in October 2017 and a recommendation to reappoint Beever and Struthers will be made at our AGM.

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

**A Roberts,
Chair
31 October 2017**

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FINANCIAL REVIEW

Funding

The trustees are committed to seeking funding from a wide range of sources, ensuring that income streams are diversified and CFLM is not overly reliant on any single source of funding.

Financial Statements

The financial statements have been prepared in accordance with the Companies Act 2006 and Charities Act 2011. CFLM adopted FRS102 in 2016 and complies with the new Charities Statement of Recommended Practice on Accounting. The movement in funds is shown on the Statement of Financial Activities. The Foundation generated a small surplus in its unrestricted funds of £21,379 (2016 Deficit: £5,706). The Foundation's total funds (unrestricted funds, restricted immediate impact funds and restricted endowment funds) amounted to £15,375,764 at 31 March 2017 (2016: £12,460,529). The Trustees have passed a total return resolution for permanent endowments - more information is included in note 12.

Reserves Policy

The reserves of CFLM are composed of restricted and unrestricted funds. These funds are maintained at a sufficient level in order to allow the smooth operation of our activities.

Unrestricted Reserves: The Trustees are committed to building up general reserves to ensure that the core activities of the Foundation will continue into the future. The target is to have a minimum of six months' core costs in unrestricted reserves – based on our 2017/18 budget this would amount to £227,211. The free general reserves of the Foundation (our unrestricted reserves less our fixed assets) at 31 March 2017 amount to £271,314 (2016: £249,935).

Restricted Reserves: The restricted funds at the year end were either held in the form of cash in bank accounts or investments. Details of investments held are shown in note 12. The current level of restricted funds, and the ongoing funding arrangements relating to those funds, is sufficient to maintain the specific projects they relate to.

Investments Policy

Investment policy is reviewed annually by the finance and risk committee and board, in conjunction with a review of investment performance. Investment managers retain authority to trade in market securities within the mandate of retaining a well-diversified portfolio of medium risk. Our policy on fund management and financial control is available on request.

Commitments

The Trustees had made no commitments to future capital purchases, nor given any guarantees, at the balance sheet date.

A Roberts

Chair

31 October 2017

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE YEAR ENDED 31 MARCH 2017 STATEMENT OF TRUSTEE RESPONSIBILITIES

The Trustees (who are also directors of CFLM for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard' applicable in the United Kingdom and Republic of Ireland'. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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.

In so far as each of the Trustees is aware:

- there is no relevant audit information of which the charitable company's auditor are unaware; and
- 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 auditors are aware of that information.

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

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
STATEMENT OF TRUSTEE RESPONSIBILITIES**

Auditor

Beever and Struthers offer themselves for reappointment as auditor in accordance with the Companies Act 2006.

By order of the Board

Approved by the Trustees on 31 October 2017 and signed on their behalf by:

A Roberts

Chair

31 October 2017

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
INDEPENDENT AUDITORS REPORT TO THE TRUSTEES OF
COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE**

We have audited the financial statements of Community Foundations for Lancashire and Merseyside for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cashflows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 15 - 16, the trustees (who are also the directors of Community Foundations for Lancashire and Merseyside for 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 Financial Reporting Council's (FRC'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 charity'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
INDEPENDENT AUDITORS REPORT TO THE TRUSTEES OF
COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE**

Opinion on 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 31 March 2017 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 requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees Report for the financial period for which these financial statements are prepared is consistent with the financial statements.

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:

- the charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's 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; and
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime.

Mark Bradley (Senior Statutory Auditor)
For and on behalf of Beever and Struthers,
Statutory Auditor

**Central Buildings
Richmond Terrace
Blackburn
BB1 7AP**

Date:

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2017 £	2016 £
Income						
Income and endowments from:						
Donations and legacies	4.1	129,588	-	271,588	401,176	139,861
Total donations and legacies	4.1	129,588	-	271,588	401,176	139,861
Charitable Activities	4.2	216,216	2,376,374	-	2,592,590	2,383,682
Investments	4.3	9,388	-	386,355	395,743	400,641
Other Activities	4.4	9,499	-	-	9,499	8,605
Total		364,691	2,376,374	657,943	3,399,008	2,932,789
Expenditure on						
Raising funds						
Costs of generating donations and legacies	5	(196,037)	-	-	(196,037)	(168,862)
Investment management costs	5	-	-	(42,275)	(42,275)	(47,402)
Charitable activities	5	(309,960)	(1,790,202)	-	(2,100,162)	(2,547,741)
Total		(505,997)	(1,790,202)	(42,275)	(2,338,474)	(2,764,025)
Realised gain on investment assets		-	-	29,506	29,506	27,312
Unrealised gain/(loss) on investment assets		-	-	1,825,195	1,825,195	(637,149)
Net income/(expenditure)		(141,306)	586,172	2,470,369	2,915,235	(441,073)
Transfers between funds	16-18	162,685	353,903	(516,588)	-	-
Net movement in funds		21,379	940,075	1,953,781	2,915,235	(441,073)
Reconciliation of funds						
Total funds brought forward	4.5	249,935	1,127,803	11,082,791	12,460,529	12,901,602
Total funds carried forward		271,314	2,067,878	13,036,572	15,375,764	12,460,529

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

The statement of financial activities for the year ended 31 March 2016 is provided in note 4.5

The notes on pages 23 to 40 form part of these financial statements.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Summary Income and Expenditure Account**

	2017 £	2016 £
Gross income from all sources	3,399,008	2,932,789
Less endowment income	(657,943)	<u>(425,813)</u>
Total Income	2,741,065	2,506,976
Total expenditure	(2,338,474)	(2,764,025)
Less endowment expenditure	42,275	47,402
Transfers from endowment funds	516,588	<u>436,148</u>
Net income for the year	961,454	<u>226,501</u>

The notes on pages 23 to 40 form part of these financial statements.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
BALANCE SHEET**

	Notes	2017		2016	
		£	£	£	£
Fixed Assets					
Tangible assets	11		8,416		677
Investments	12		<u>12,973,957</u>		<u>10,972,171</u>
			12,982,373		10,972,848
Current Assets					
Debtors	13	48,349		353,493	
Cash at bank and in hand		<u>2,746,527</u>		<u>1,505,770</u>	
		2,794,876		1,859,263	
CREDITORS: amounts falling due within one year	14	<u>(401,485)</u>		<u>(371,582)</u>	
Net Current Assets			<u>2,393,391</u>		<u>1,487,681</u>
Total Net Assets			<u><u>15,375,764</u></u>		<u><u>12,460,529</u></u>
The Funds of the Charity					
Endowment Funds	18		13,036,572		11,082,791
Unrestricted Funds	17		271,314		249,935
Restricted Funds	16		2,067,878		1,127,803
Total Charity Funds			<u><u>15,375,764</u></u>		<u><u>12,460,529</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Approved by the Board of Trustees and authorised for issue on

A Roberts
Trustee
Company Number 03422207

The notes on pages 23 to 40 form part of these financial statements.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
STATEMENT OF CASHFLOWS**

	2017	2016
	£	£
Cash used in operating activities		
Net income/(expenditure) for the year	444,866	(209,647)
Adjustments for:		
Receipt of endowment	-	-
Increase/(Decrease) in debtors	305,144	(337,058)
Decrease/(increase) in creditors	29,903	(15,274)
Addition of fixed assets	(9,524)	-
Depreciation	1,785	676
Net cash provided by (used in) operating activities	772,174	(561,303)
Cash flows from investing activities		
Purchase of investments	(230,000)	(3,333)
Net cash used in investing activities	(230,000)	(3,333)
Cash flows from financing activities		
Cash withdrawn from investments	426,995	616,358
Receipt of expendable endowment	271,588	34,516
Cash provided by financing activities	698,583	650,874
Increase in cash and cash equivalents in the year	1,240,757	86,238
Cash and cash equivalents at the beginning of the year	1,505,770	1,419,532
Total Cash and cash equivalents at the end of the year	2,746,527	1,505,770

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE

YEAR ENDED 31 MARCH 2017

Statement of Financial Activities

1. GENERAL INFORMATION

The Charity is a registered charity in England and Wales and is a private Limited company by guarantee without share capital, registered in England and Wales under the Companies Act.

The address of the principal office is Third Floor, Stanley Building, 43 Hanover Street, Liverpool, L1 3DN.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and the Companies Act 2006.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The Community Foundations for Lancashire and Merseyside meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements are prepared in sterling, which is the functional currency of the entity.

3.2 Going concern

The trustees are satisfied that the accounts should be prepared on a going concern basis and have considered this for the period of twelve months from the date of approval.

3.3 Key Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant Judgements

The judgements (apart from those involving estimations) that management has made in the progress of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life and maintenance are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

3.4 Income

- 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 where this can be readily ascertained.
- Deferral of income takes place where grants are received substantially in advance of the expenditure to which it relates. Where grants include a contribution to costs.

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities

ACCOUNTING POLICIES (cont....)

Income (Cont)

- Investment returns are drawn in accordance with a total return policy and transferred to restricted funds for distribution, with an agreed proportion transferred to cover management and administration costs.
- Income to cover costs for management of the invested funds is recognised when received and income to cover costs for distribution of the resulting restricted funds is recognised on distribution of those funds.
- Incoming resources from government funded entities are accounted for in the same way as other income.

3.5 Donated Services and Facilities

- Donated professional services and donated facilities are recognised as income when the Community Foundation has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from its use is probable and the economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time of volunteers is not recognised and users of these financial statements should refer to the Trustees' annual report for more information about their contribution.
- On receipt donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

3.6 Resources Expended

- Resources expended are included in the SOFA on the accruals basis as a liability is incurred, based on work done or services provided in the period. Expenditure includes irrecoverable VAT, and is reported as part of the expenditure to which it relates.
- Grants payable are recognised as expenditure when the commitment is made and monitoring of previous commitments is complete.
- 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.
- 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 necessary for the activities of the charity.
- 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.
- 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 5.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities**

3. ACCOUNTING POLICIES (cont.....)

3.7 Tangible Fixed Assets

- Tangible fixed assets are stated at cost less accumulated depreciation. The costs of minor additions or those costing under £500 are not capitalised.
- Depreciation is provided to write off the cost of each asset over its expected useful life using the following rates and methods:-

Fixtures and fittings	25% straight line
Office equipment	25% straight line

- Impairment reviews are carried out as and when evidence comes to light that the recoverable amount of a functional fixed asset is below its net book value due to damage, obsolescence or other relevant factor.

3.8 Fixed Asset Investments

- Investments are included at fair value at the balance sheet date.
- Realised gains and losses on investments are calculated as the difference between sale proceeds and their fair value at the start of the year, or their subsequent cost, net of transaction costs, and are charged or credited to the statement of financial activities in the year of disposal.
- Unrealised gains and losses represent the movement in fair value during the year and are credited or charged to the statement of financial activities based on the fair value, as advised by the charity's investment managers, at the year end.
- All endowed funds received are managed on a total investment return basis.

3.9 Debtors

Trade debtors and other debtors are recognised at the settlement amount due after any trade discount offered.

Prepayments are valued at the amount prepaid net of any trade discounts offered.

3.10 Creditors and Provisions

Creditor balances are accounted for once an obligation for payments is confirmed. Grant payments are accrued when approved for settlement, payments for service contracts are accrued once the service has been delivered.

3.11 Pensions

The company contributes to Individual Personal Pension policies for its employees. Contributions are charged to the SOFA in the period to which they relate.

3.12 Financial Instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities

3. ACCOUNTING POLICIES (cont....)

Financial Instruments (Cont....)

Basic financial instruments are initially recognised at the amount receivable or payable including any related transaction costs, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Current assets and current liabilities are subsequently measured at the cash or other consideration expected to be paid or received and not discounted.

Where investments in shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in income and expenditure. All other such investments are subsequently measured at cost less impairment.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised under the appropriate heading in the statement of financial activities in which the initial gain was recognised.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

3.13 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 returns for the Foundation. A percentage withdrawal from the funds is distributed in accordance with the wishes of the original donor. Capital gains or losses arising on the investments form part of the fund. Charges for investment management and advice are charged to the fund as incurred. Income earned on endowment funds is transferred to restricted and unrestricted funds.

3.14 Consolidation

Consolidated financial statements have not been prepared on the grounds that the results of the subsidiary charity Community Foundation for Lancashire (Former) are not deemed material to the results of the charity.

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities**

4. INCOME

	2017	2016
4.1 Voluntary Income		
	£	£
Endowments Received	271,588	34,516
Sponsorship, Donations and Membership	50,675	26,482
Gifts in kind – Use of office	70,000	70,000
Gifts in kind – Rates	6,113	6,063
Gifts in kind – Use of parking spaces	2,800	2,800
	<u>401,176</u>	<u>139,861</u>

4.2 Incoming Resources from Charitable Activities

	2017	2016
	£	£
23 Foundation	26,225	47,971
ACC Foundation	9,033	7,986
Alfred Shaw Trust	-	32
B&M	54,882	-
BIBAs Foundation	36,017	29,666
Big Local Trust Northwood	71,096	161,123
BridgeBuilder Foundation	-	2,171
Building Stronger Britain Together	162,739	-
CFLM Discretionary Fund	233	-
Comic Relief	83,137	183,108
Daneway Foundation	44,000	-
High Sheriffs & Merseyside Police Trust Fund	47,725	17,253
Hill Dickinson	92,192	323
Investec Wealth and Management	-	350
Japanese Tsunami Fund in memory of S Cropper	-	10,873
Jim Hosker Memorial Fund	-	565
John Goore Trust	22,789	-
John Laing	22,400	22,400
Just Giving Donations	-	407
Lancaster Community Fund	12,400	12,200
Lancashire Community Investment Fund	6,250	500
Lancashire Flood Relief Fund	41,703	1,039,059
Liverpool ONE Foundation	200,152	300,237
Liverpool Tennis Foundation	2,152	2,255
Mark McQueen Foundation	45	484
Carried forward	<u>935,170</u>	<u>1,838,963</u>

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities**

4. INCOME (cont....)

4.2 Incoming Resources from Charitable Activities (Cont....)

Brought forward	935,170	1,838,963
Merseyside Community Investment Fund	5,445	4,470
Merseyside Police Authority	-	99,859
New Beginnings Fund	156,332	-
Older Peoples Fund Lancashire	150,000	-
Older Peoples Fund Merseyside	150,000	-
Olivia Rae Foundation	501	1,424
Peel Ports	12,592	12,000
Pendle Music Bursary Fund	575	-
Police Property Act Fund	50,324	-
Ray Messer Foundation	18,596	19,022
Rossendale Community Fund	820	-
Rumi and Rishi	953	-
RWE Innogy UK Ltd	19,832	-
Santander	70,550	314,539
Shop Direct	-	90,373
Surviving Winter Appeal Lancashire	-	437
Surviving Winter Appeal Merseyside	-	450
United Utilities	897,000	-
Youthbank	-	2,145
Youth Social Action Merseyside	59,400	-
Youth Social Action Lancashire	50,000	-
Other deferred	14,500	-
	<u>2,592,590</u>	<u>2,383,682</u>

4.3 Investment Income

	2017	2016
	£	£
Bank and other interest receivable	9,388	9,344
Investment Income	386,355	391,297
	<u>395,743</u>	<u>400,641</u>

4.4 Other Income

	2017	2016
	£	£
Fees Received	9,499	8,605
	<u>9,499</u>	<u>8,605</u>
Total Incoming Resources	<u>3,399,008</u>	<u>2,932,789</u>

**COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities**

INCOMING RESOURCES (cont....)

4.5 Comparative Statement of Financial Activities

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2016 £
Income and endowments from:				
Donations and legacies	105,345	-	34,516	139,861
Total donations and legacies	105,345	-	34,516	139,861
Charitable Activities	194,354	2,189,328	-	2,383,682
Investments	9,344	-	391,297	400,641
Other Activities	8,605	-	-	8,605
Total	317,648	2,189,328	425,813	2,932,789
Expenditure on				
Raising funds				
Costs of generating donations and legacies	(168,882)	-	-	(168,882)
Investment management costs	-	-	(47,402)	(47,402)
Charitable activities	(336,676)	(2,211,065)	-	(2,547,741)
Total	(505,558)	(2,211,065)	(47,402)	(2,764,025)
Realised gain on investment assets	-	-	27,312	27,312
Unrealised loss on investment assets	-	-	(637,149)	(637,149)
Net expenditure	(187,910)	(21,737)	(231,426)	(441,073)
Transfers between funds	182,204	253,944	(436,148)	-
Net movement in funds	(5,706)	232,207	(667,574)	(441,073)
Reconciliation of funds				
Total funds brought forward	255,641	895,596	11,750,365	12,901,602
Total funds carried forward	249,935	1,127,803	11,082,791	12,460,529

COMMUNITY FOUNDATIONS FOR LANCASHIRE AND MERSEYSIDE
YEAR ENDED 31 MARCH 2017
Statement of Financial Activities

5. TOTAL RESOURCES EXPENDED

	Basis of Allocation	Donations and Legacies	Charitable Activities	Investment Management Costs	Total 2017	Total 2016
		£	£	£	£	£
Grants Paid (see note 16)	Direct	-	1,790,202	-	1,790,202	2,211,065
Staff costs (see below and note 8)	Direct	73,376	241,192	-	314,568	350,232
Healthcare Costs	Direct	1,540	-	-	1,540	1,680
Publicity and advertising	Direct	9,457	-	-	9,457	-
Postage & stationary & telephone	Staff time	1,550	-	-	1,550	1,661
Staff training	Direct	1,875	-	-	1,875	4,865
Meeting costs	Direct	-	1,777	-	1,777	241
Rent/Rates in kind	Direct	17,506	61,407	-	78,913	76,064
Consultancy	Usage	27,363	-	-	27,363	-
Audit & accountancy fees	Usage	11,772	-	-	11,772	10,500
Travel	Direct	6,381	-	-	6,381	7,764
Computer running costs	Staff Time	6,693	-	-	6,693	5,625
Panel meetings	Direct	-	109	-	109	535
Subscriptions	Direct	19,735	-	-	19,735	15,420
Bank charges	Usage	459	-	-	459	573
Insurance	Staff Time	1,441	-	-	1,441	4,116
Recruitment	Direct	2,998	-	-	2,998	1,115
Volunteer expenses	Direct	1,322	-	-	1,322	500
Other	Direct	5,070	-	-	5,070	9,316
Depreciation	Direct	1,785	-	-	1,785	676
Legal & prof fees	Usage	4,058	-	-	4,058	5,193
Investment management costs	Direct	-	-	42,275	42,275	47,402
Events	Direct	-	500	-	500	1,246
Special Project cost	Direct	-	4,974	-	4,974	8,236
Human Resources		1,656	-	-	1,656	-
		<u>196,037</u>	<u>2,100,162</u>	<u>42,275</u>	<u>2,338,474</u>	<u>2,764,025</u>

Special Projects costs relate to short term funded, predominantly research projects working with specific donors or other partners which align with the work of the foundation and include the Philanthropy Fellowship, Vital Signs and Youthbank.

More information and reports on some of these projects is or will be available on our websites at www.lancsfoundation.org.uk and www.cfmerseyside.org.uk.

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6. GRANTS AWARDED

All the charitable activities undertaken by the charity represent grant-making. Further details about the grants made in the year can be seen in Note 16.

7. NET INCOMING RESOURCES

Net incoming resources are stated after charging:	2017	2016
	£	£
Depreciation	1,785	676
Auditors remuneration	11,772	11,640
	<u>11,772</u>	<u>11,640</u>

Auditors remuneration comprises £8,100 for audit services and £3,672 for other services.

8. STAFF COSTS

	£	£
Wages and salaries	274,778	304,096
Social security costs	25,052	26,756
Other pension costs	14,739	19,380
	<u>314,568</u>	<u>350,232</u>

No employee received emoluments of more than £60,000 (2016: none).

The charity contributes to Individual Personal Pension policies for all its employees. The assets of the schemes are held separately from those of the Charity in independently administered funds. The pension charge of £14,739 (2016: £19,380) represents contributions paid by the Charity to the funds. There were no outstanding contributions at 31 March 2017 (31 March 2016: NIL).

The key management personnel of the Charity, comprise the trustees, the Chief Executive, the Finance Director and the Philanthropy Director. The total employee benefits of the key management personnel of the Charity were £110,438 (2016: £118,969).

9. STAFF NUMBERS

The average number of employees (excluding trustees) during the year was as follows:

	2017	2016
	No.	No.
Management	3	3
Philanthropy Development	3	3
Finance	2	2
Philanthropy Services & Programmes	3	3
Total full time equivalents	<u>11</u>	<u>11</u>
Total staff employed	<u>13</u>	<u>13</u>

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10. TAXATION

The charity is exempt from tax on income and gains falling within Section 505 of The Taxes Act 1988 or Section 252 of The Taxation of Charitable Gains Act 1992 to the extent that these are applied to its charitable objectives.

11. TANGIBLE FIXED ASSETS

	Fixtures & Fittings	Office Equipment	Total
Cost	£	£	£
At 1 April 2016	14,038	57,769	71,807
Additions	-	9,524	9,524
At 31 March 2017	<u>14,038</u>	<u>67,293</u>	<u>81,331</u>
Depreciation			
At 1 April 2016	14,038	57,092	71,130
Charge for year	-	1,785	1,785
At 31 March 2017	<u>14,038</u>	<u>58,877</u>	<u>72,915</u>
Net book value			
At 31 March 2017	<u>-</u>	<u>8,416</u>	<u>8,416</u>
At 1 April 2016	<u>-</u>	<u>677</u>	<u>677</u>

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12. INVESTMENTS

INVESTMENTS	2017	2016
UK listed investments	£	£
<u>Rathbone Brothers Plc</u>		
Market value at 1 April 2016	4,928,874	5,358,110
Additions	224,782	887,988
Disposals at market value	(583,013)	(941,512)
Asset Transfer to Investec	(4,645,182)	-
Revaluation gain/(loss)	75,488	(375,712)
Market value at 31 March 2017	<u>949</u>	<u>4,928,874</u>
Cash deposits in the UK	-	49,618
Sub total Rathbones	<u>949</u>	<u>4,978,492</u>
Investec Wealth & Investment		
Market value at 1 April 2016	1,523,044	1,658,809
Additions	767,183	90,642
Disposals at market value	(867,339)	(153,480)
Asset Transfer from Rathbones	4,645,182	-
Revaluation gain/(loss)	1,084,201	(72,927)
Market value at 31 March 2017	<u>7,152,271</u>	<u>1,523,044</u>
Cash deposits in the UK	668,282	64,127
Subtotal Investec Wealth & Investment	<u>7,820,553</u>	<u>1,587,171</u>
CCLA Common Investment Fund		
Market value at 1 April 2016	4,406,508	4,636,492
Additions	87,441	3,333
Disposals at market value	(7,000)	(80,528)
Revaluation gain/(loss)	665,506	(188,510)
Market value at 31 March 2017	<u>5,152,455</u>	<u>4,370,787</u>
Cash deposits in the UK	-	35,721
Subtotal CCLA	<u>5,152,455</u>	<u>4,406,508</u>
Total Investments	<u>12,973,957</u>	<u>10,972,171</u>
Historical cost	<u>12,973,957</u>	<u>10,720,669</u>
Listed Investments		
UK investments	4,287,525	6,658,344
Overseas and other investments	7,868,729	4,112,668
Cash deposits	817,703	201,159
	<u>12,973,957</u>	<u>10,972,171</u>

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12. INVESTMENTS (continued)

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 with the market values and proportion of the portfolio shown as at 31 March 2017. The investments are held to provide an investment return to the charity.

	Endowment	Unapplied total return released to income	Total Endowment
At 1 April 2016			
Gift Component of Endowment:	9,910,407	-	9,910,407
Unapplied total return	-	1,061,764	1,061,764
Total	9,910,407	1,061,764	10,972,171
Movements in the reporting period:			
Gift of expendable endowment	230,000	-	230,000
Investment Management Fees	-	(42,275)	(42,275)
Dividends and Interest	-	386,355	386,355
Realised and Unrealised Gains	-	1,854,701	1,854,701
Total	230,000	2,198,781	2,428,781
Unapplied total return released to income	-	(426,774)	(426,774)
Net movements in reporting period	230,000	1,772,007	2,002,007
At 31 March 2017			
Gift Component of Endowment:	230,000	-	10,140,407
Unapplied total return	-	2,833,550	2,833,550
Total	10,140,407	2,833,771	12,973,957

13. DEBTORS

	2017 £	2016 £
Grants	15,450	344,015
Other debtors	30,017	8,665
Prepayments	2,882	813
	48,349	353,493

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14. CREDITORS: amounts falling due within one year

	2017	2016
	£	£
Grant creditors	209,296	264,792
Other creditors	4,431	1,612
Accruals	12,712	11,976
Deferred income (note 15)	175,046	93,202
	<u>401,485</u>	<u>371,582</u>

15. DEFERRED INCOME

Deferred income comprises income received in advance that the charity is not contractually entitled to distribute at 31 March 2017.

	2017	2016
	£	£
Balance as at 1 April 2016	93,202	94,755
Amount released to income earned from charitable activities	(75,949)	(70,193)
Amount deferred in year	157,793	68,640
Balance as at 31 March 2017	<u>175,046</u>	<u>93,202</u>

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16. RESTRICTED FUNDS

	As at	Movement in Resources			As at
	1 April 2016	Incoming	Outgoing	Transfers	31 March 2017
	£	£	£	£	£
23 Foundation	(59,148)	23,549	(11,206)	48,150	1,345
ACC Liverpool Foundation	8,019	7,286	(13,872)	(661)	772
Aldridge Foundation	7,262	-	-	1,863	9,125
Alfred Shaw Trust	(2,682)	-	(700)	14,549	11,167
B&M	-	48,296	(48,882)	-	(586)
BHP Billiton	23,063	-	(10,205)	(4,100)	8,758
BIBAs Foundation	21,255	31,312	(27,228)	(2,171)	23,168
Big Local Trust Northwood	49,927	71,013	(46,930)	(8,427)	65,583
Bridgebuilder Foundation	2,713	-	-	(1,105)	1,608
BSBT	-	127,479	(99,924)	-	27,555
CFLM Discretionary Fund	39,862	233	(50,608)	7,558	(2,954)
Comic Relief	85,569	68,677	(143,194)	(11,052)	-
Daneway	-	44,000	-	-	44,000
Tilney Investment Management /Deutsche Bank	(9,470)	-	(3,710)	18,618	5,438
Grass Roots	(1,130)	-	-	-	(1,130)
Gorse Bank Trust	921	-	-	548	1,469
Halton Foundation Halton Chamber of Commerce	507	-	-	731	1,238
High Sheriffs Trust & Merseyside Police	(5,313)	45,181	(31,300)	27,120	35,688
Hill Dickinson	(45,554)	88,184	(60,500)	52,514	34,644
Investec Wealth & Management	3,399	-	(1,598)	(1,800)	1
Japanese Tsunami Fund	23,472	-	-	(22,371)	1,101
Jim Hosker Memorial Fund	7,503	-	(1,250)	(1,426)	4,827
John Goore Trust	35,447	26,354	(21,892)	6,045	45,954
John Laing Charitable Trust	-	20,000	(19,500)	-	500
Joseph Harley Trust	8,130	-	-	1,082	9,212
Just Giving Donations	407	-	-	(407)	-
Knowsley Foundation	91,549	-	(1,800)	(30,000)	59,749
Knowsley Public Health and Wellbeing Fund	33,000	-	-	(33,000)	-
Lancashire Community Investment Fund	19,707	5,500	(22,300)	27,378	30,285
Lancashire Flood Recovery	454,871	13,992	(379,352)	65,757	155,268
Lancaster Community Fund	15,597	10,912	(23,175)	(1,828)	1,506
Lancaster Foundation	(15,739)	-	(18,081)	33,820	-
Leahy Foundation	54,218	-	(50,125)	27,598	31,691
Liverpool ONE Foundation	21,927	176,029	(65,304)	70,821	203,473
Liverpool Tennis Foundation	146	1,914	(2,138)	28	(50)
Mando Group Foundation	(5,924)	-	(6,500)	14,864	2,440
Mark McQueen Foundation Lancashire	3,129	-	-	11,159	14,288
Mark McQueen Foundation Merseyside	17,783	42	(13,948)	13,468	17,345
Balance Carried Forward	884,423	809,953	(1,175,222)	325,324	844,478

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16. RESTRICTED FUNDS (cont....)

	As at	Movement in Resources			As at
	1 April 2016	Incoming	Outgoing	Transfers	31 March 2017
	£	£	£	£	£
Balance Brought forward	884,423	809,953	(1,175,222)	325,324	844,478
Medicash	(3,633)	-	-	5,364	1,731
Merseyside Community Investment Fund	100,508	3,651	(13,000)	(86,507)	4,652
MJB Fund	24,250	-	(18,600)	15,481	21,131
New Beginnings Fund	-	143,032	(143,032)	-	-
New Progress Housing	32,715	-	(16,210)	6,442	22,947
Older Peoples Fund Lancashire	-	150,000	-	-	150,000
Older Peoples Fund Merseyside	-	150,000	-	-	150,000
Olivia Rae Foundation	821	485	(1,800)	1,224	730
Peel Ports 500	13,435	10,560	(8,490)	(3,340)	12,165
Pendle Music Bursary Fund	17,630	-	(17,510)	8,274	8,394
Police Property Fund	663	45,749	(44,388)	(663)	1,361
Ray Messer Foundation	19,022	16,950	(7,065)	1,902	30,809
Rossendale Community Fund	(4,999)	-	(9,635)	16,267	1,633
Rossiter Foundation	10,685	-	-	441	11,126
Rumi and Rishi Fund	(1,041)	-	16,450	12,120	27,529
Runcat Community Action	(478)	-	-	982	504
RWE Innogy UK Ltd Hambleton Hill	-	18,640	(5,375)	7,611	12,084
Santander	67,241	60,000	(66,000)	(61,241)	-
Sefton Council	12,815	-	(2,390)	(3,868)	6,557
Shooting Stars Foundation	536	-	-	-	536
Shop Direct	(6,609)	-	(5,000)	12,914	1,305
Surviving Winter Lancashire	1,767	-	(500)	-	1,267
Surviving Winter Merseyside	357	-	-	55	412
United Utilities	-	858,000	(227,784)	-	630,216
WO Street Lancashire	(33,917)	-	(22,601)	56,224	(294)
WO Street Merseyside	(2,010)	-	(7,500)	12,395	2,885
Youthbank	2,236	-	(2,000)	(2,153)	(1,917)
Youth Social Action Merseyside	-	59,400	-	-	59,400
Youth Social Action Lancashire	-	50,000	-	-	50,000
Other Funds	178	(47)	(12,550)	28,656	16,237
	1,127,803	2,376,374	(1,790,202)	353,903	2,067,878

Fund balances represent grants receivable for the charity to distribute in accordance with the terms and conditions of the donor. Balances on the funds represent undistributed funds held in the bank accounts.

Fund balances that are in deficit have arisen due to the timing difference on capital drawdown from endowment fund versus grant awards at panel meetings prior to the year end and drawdown has been made post year end to reverse the deficit.

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

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17. UNRESTRICTED FUNDS

	As at 1 April 2016	Movement in Resources			As at 31 March 2017
	£	Incoming £	Outgoing £	Transfers £	£
Unrestricted funds	244,935	364,691	(505,997)	162,685	266,314
Designated fund- Flood Appeal	5,000	-	-	-	5,000
Total	249,935	364,691	(505,997)	162,685	271,314

18. ENDOWMENT FUNDS

	As at 1 April 2016	Movement in Resources			As at 31 March 2017
	£	Incoming £	Outgoing £	Gains and Transfers £	£
Permanent endowment	341,672	13,281	-	9,361	364,314
Expendable endowment	10,741,119	644,662	(42,275)	1,328,752	12,672,258
	11,082,791	657,943	(42,275)	1,338,113	13,036,572

Included in the above figures are the following significant (over £100,000) funds:

	1 April 2016				31 March 2017
	£	£	£	£	£
Permanent endowment:					
Rossendale Community Fund	131,853	4,471	-	(11,471)	124,853
Sefton MBC Education & Learning Trust	117,901	5,677	-	12,208	135,786
1 other fund	91,918	3,134	-	8,623	103,675
Expendable endowment:					
23 Foundation	1,038,343	33,422	(6,319)	135,132	1,200,577
Alfred Shaw Trust	349,071	13,916	-	39,033	402,020
BHP Billiton	256,730	8,263	(1,562)	33,411	296,842
Tilney Investment Management	416,906	16,620	-	46,620	480,146
High Sheriffs and Merseyside Police Trust	500,873	66,845	(2,475)	13,459	578,702
Hill Dickinson Foundation	248,275	9,644	(201)	78,368	336,086
John Goore Trust	274,761	8,844	(1,672)	35,758	317,691
Lancaster Foundation	757,330	30,192	-	84,687	872,209
Leahy Foundation	868,934	31,588	(2,420)	104,453	1,002,555
Liverpool ONE Foundation	1,839,092	243,573	(5,195)	132,346	2,209,816
Mark McQueen Foundation (L)	153,173	4,298	(1,156)	20,789	177,105
Mark McQueen Foundation (M)	398,876	12,839	(2,427)	51,912	461,199
MJB Fund	647,170	21,743	(3,215)	82,046	747,745
New Progress Housing Tenants Fund	238,918	6,705	(1,803)	32,427	276,247
Pendle Music Bursary	204,885	8,168	-	22,911	235,964
Rumi and Rishi Fund	222,048	8,852	-	24,830	255,730
Balance Carried Forward	8,757,057	538,794	(28,445)	947,542	10,214,948

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18. ENDOWMENT FUNDS (cont ...)

	£	£	£	£	£
Expendable endowment					
Balance brought forward	8,757,057	538,794	(28,445)	947,542	10,214,948
The Rossiter Family Fund	253,620	8,163	(1,543)	33,007	293,247
WO Street Lancashire	915,187	25,683	(6,906)	124,216	1,058,180
WO Street Merseyside	194,149	6,249	(1,182)	25,266	224,482
18 other funds make up the balance of endowed funds:					
	962,778	79,054	(4,199)	208,082	1,245,715
	11,082,791	657,943	(42,275)	1,338,113	13,036,572

The endowment fund is represented by investments, a small residual deposit with Rathbones, deposits with Investec and CCLA and bank accounts.

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed assets £	Investments £	Net Current Assets £	Total £
Endowment Funds	-	12,973,957	62,615	13,036,572
Restricted Funds	-	-	2,067,878	2,067,878
Unrestricted Funds	8,416	-	262,898	271,314
	8,416	12,973,957	2,393,391	15,375,764

20. TRUSTEES' EXPENSES

No trustees have received remuneration. Travel expenses of £919 (2016: £521) were paid to Arthur Roberts during the year. No expenses were paid to Andrew Myers during the year (2016: £60) and £402 (2016: £136) was paid to Stephen Barrow.

21. RELATED PARTY TRANSACTIONS

Mr C Bliss, a trustee, is the Estate Director at Liverpool ONE, who have provided in-kind office premises to the foundation since January 2011, included in these accounts at a £70,000 value during the year. Liverpool One also donated funds to contribute to rates payable to Liverpool City Council, included in these accounts of £6,113. Liverpool ONE also hold endowment and restricted funds with the foundation. The Liverpool One endowment fund was valued at £2,209,816 at 31 March 2017. The fund generated £82,779 during the year, of which £19,747 was donated towards the costs of the foundation, with the balance transferred for distribution through their restricted fund. The foundation received additional donations totalling £200,031 of which £65,304 was distributed through their restricted fund.

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22. CONTINGENT LIABILITIES

The restricted fund balances carried forward at 31 March 2017 represent funds available due to the timing of the receipt of grant funds and their distribution. The conditions attaching to the funding streams are such that the balances represent income for the year as defined in the Charities SORP. Funds that cannot be distributed in accordance with the wishes of the donor will be returned to the donor.

23. MEMBERS' LIABILITY

The charity is a private company limited by guarantee and consequently does not have share capital. The members are liable to contribute a maximum of £1 each towards the assets of the charity in the event of the company being wound up.