
Review Visit Report

Charity Name: J. N. F Charitable Trust

Date of Visit: 14 July 2005

1. INTRODUCTION

This report has been prepared by the Charity Commission ('the Commission') following a Review Visit to J. N. F. Charitable Trust on 14 July 2005.

A Review Visit to a charity is one of the methods that the Commission uses to promote the effective use of charitable resources. The purpose of a Review Visit is to:

- Ensure compliance with the legal framework within which the charity operates;
- Assess and report on, whether a registered charity is aspiring to the standards set out in the Commission's booklet CC60 *Hallmarks of an Effective Charity*;
- Provide advice and guidance in support of the achievement of the Hallmark standards
- Contribute towards continuous improvement in the charitable sector; and
- Enhance the relationship between individual charities and the Commission.

The Review Visit cannot cover every aspect of a charity. For this reason, a Review Visit is not an audit or an inspection; nor does it provide an accreditation. However, by using a structured analysis, the intention is to focus on key issues, and to identify good practices and encourage their wider adoption by the charitable sector.

As far as it is compatible with the Commission's regulatory role, the Commission intends Review Visits to be based on co-operation between the charity and the Commission. We will seek to agree Recommendations with the charity and try to ensure that any deadlines for action are reasonable. The Commission can provide further guidance if the trustees require it.

This Review Visit was conducted by the following Commission staff:

- Tony Pino
- Laurence Evans

2. CHARITY PROFILE

Charity name: J. N. F. Charitable Trust

Registration number: 225910

Governing document: Memorandum and Articles of Association dated 10 July 1939, as amended by special resolutions passed 20 July 1955, 29 December 1960, 30 December 1968 and 5 December 1988.

Objects: "The relief of poverty in the territory of the State of Israel together with all other territories within a continuous line drawn from the Mediterranean Sea through the waters of the Suez Canal to the Gulf of Suez thence along the northern shore of the Red Sea to the Gulf of ~~Suez~~ thence along the northern boundary to the Kingdom of Saudi Arabia, the western boundary of the Republic of Iraq and the southern boundary of the Republic of Turkey to the Mediterranean Sea and thence southwards along the shores of that sea to the waters of the Suez Canal (hereinafter call "the prescribed region") and such other purposes in the prescribed region as are charitable according to the law of England, especially such purposes as aforesaid as in the opinion of the Association are directly or indirectly beneficial to persons who, in the opinion of the Association, are of Jewish religion, race or origin."

Charity trustees:

Those responsible for the control and management of the administration of a charitable company are the directors of that company. The directors are also the charity trustees for the purposes of section 97(1) of the Charities Act 1993. They are referred to as "trustees" in this report.

Charity background information:

The JNF Charitable Trust has its origins in the 'Jewish National Fund', a fund set up in the early days of Zionism to help to acquire a national homeland for the Jewish people.

The Trust was incorporated in 1939 to promote exclusively charitable projects in Israel. It was registered as a charity by the Commission on 20 June 1963.

The charity raises funds in the United Kingdom and remits them to its agents in Israel, with strict instructions on how they are to be applied. Examples of the wide range of charitable activity financially supported by the Trust include:

- Israel Guide Dogs for the Blind
- The Jerusalem Botanical Gardens
- Assistance to families and children affected by terrorism, through the charity's 'One Family Fund'
- Financial support towards the development of the Negev area of Israel e.g. by providing funds to help build reservoirs, tree planting, and the construction of villages for the benefit of handicapped people.
- Horse-riding for the disabled.
- The funding of a kibbutz near Eilat.
- Support for Ethiopian immigrants entering Israel.
- Provision of educational material for schools in the UK

Charity income and expenditure: In the year ended 31 December 2003, the charity's income was £5,682,894 and its expenditure was £5,287,427.

Related Organisations

- KKL Charity Accounts (company number 5118360; charity number 1105998) – a newly registered charity, which operates charity accounts for over 4000 individuals.
- JNF Educational Trust (charity number 290267) – dormant charity
- KKL Executor & Trustee Co (company number 453042) – charity trading subsidiary which provides clients with advice on wills and estate planning
- Bloomsbury Advertising Agency (company number 482252) – dormant trading company

Charity representatives involved in the Visit:

Gail Seal	- President/Trustee
David Kibel	- Honorary Treasurer/Trustee
Jeffrey Zinkin	- Trustee/Chairman KKL Executor & Trustee Co
Simon Winters	- CEO/Trustee
Harvey Bratt	- Company Secretary
Joan Lozowick	- PA

3. SUMMARY OF MAIN ISSUES DISCUSSED DURING VISIT

Background and Overview

Charities are selected for review visits in one of three ways: randomly; as a result of an internal trigger of the Commission (eg, annual returns or previous correspondence); or in pursuit of a themed approach. The JNF Charitable Trust (JNFCT) was selected as a result of an internal trigger: the Commission had previously received a number of complaints regarding the charity's activities.

After considering the complaints, the Commission had been satisfied that the charity's funds are used in an exclusively charitable manner. We had made some observations to the charity aimed at improving its general level of transparency and openness. The charity had been willing to collaborate with the Commission at that time, and a visit seemed a good opportunity to develop that collaboration further. We also hoped to gain a fuller understanding of the charity and its activities, so as to help address any future queries or complaints received.

The Commission's representatives confirmed at the visit that:

- The visit was not prompted by a complaint.
 - The Commission has no reason to alter its view that the charity's activities are charitable and within the charity's objects.
 - The Commission's approach was focused on identifying with the charity ways of improving risk management, particularly to avoid complaints or minimise the input required to deal with them.
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- The general impression gained from the information provided prior to the meeting was of a charity that already had many of the characteristics of an effective charity; the constructive and informative discussion undertaken at the visit reinforced that view.

The Commission's objectives for the meeting related to:

- Clarifying JNFCT's position in respect to other JNF groups, committees etc and identifying with the charity's representatives whether there is room for improving transparency in these relationships.
- Working with the charity's representatives in identifying good practice in managing the historic reputational risks arising from the charity's association with Keren Kayemeth L'Israel.
- Clarifying the position regarding the charity's trading subsidiaries and their relationship to the charity.
- Communicating any constitutional/legal issues, and providing advice in respect to updating in the charity's governing document.

The key outcomes of the visit for the Commission were:

- The trustees understand the need for the charity to be proactive in managing its relationship with its agents so as to minimise complaints or more easily to respond definitively to them. This includes ensuring that the selection of projects takes reputational risk into account, and making transparent the controls in place regarding expenditure through agents.

- The trustees accept that there may remain areas of confusion between the charity's work and that of other JNF companies/organisations/committees which may need to be considered and addressed by them. They agreed to review both the charity's website and accounts in this regard.
- The trustees confirmed that they regularly consider the basis on which they are running the charity's trading subsidiaries as part of a review of their investment strategy and duty of care.
- The trustees accept the need to address one specific constitutional/legal matter and to review the governing document.

Activities

The charity's representatives provided us with an informative overview of JNFCT's varied activities. The Trust has a particularly innovative and successful fundraising strategy, which manages to involve a wide section of the British Jewish community through various branches/committees. JNFCT itself annually organises a number of annual fundraising events, such as a car rallies and sponsored walks. It has also organised several gala and entertainment evening events involving high profile celebrities such as former US President Bill Clinton.

Funds raised are provided to the charity's 'agents' in Israel, with instructions on how they are to be applied. The largest of these agents was Keren Kayemeth LeIsrael (KKL). Although KKL carries out some activities, which would not be regarded as charitable under UK law, any funds remitted by the charity to KKL, or to any other agent in Israel, are used only for projects which are charitable. This fact is now clearly explained on the charity's website. The charity's representatives also advised us that the Trust is increasingly diversifying its activities, with funds being provided directly to other organisations in Israel.

Use of names, logos, straplines and statements

Promotional material and other information produced by the charity referred to JNF (Jewish National Fund) in such a way that it was not entirely clear to the Commission whether there was a separate body of that name. For example, the page on the charity's website called *JNF Online Donations* refers to the JNF as "the world's oldest ecological charity, having worked tirelessly for Israel over almost 100 years". As JNFCT was established in 1939, the reference has to be to the original JNF movement established in Vienna in the early part of the 20th Century.

The charity's representatives accepted that this was confusing and undertook to review the charity's material. They explained that, whilst there are other bodies born out of the original Jewish National Fund, there is no separately-constituted Jewish National Fund as such. The UK charity JNFCT is known to its supporters in this country and in Israel by the initials 'JNF'.

The charity has recently adopted a unique JNF logo, which includes the strap-line 'Supporting Israel for Life'. We expressed the view that this statement is potentially open to an interpretation which could be viewed by third parties as having political connotations. It is not open for the charity to support the State of Israel (or any other country), since this does not itself denote a charitable purpose.

The charity's representatives acknowledged our concern, but argued that the strap-line refers to supporting the 'life blood' of Israel i.e. the people of Israel, rather than the state.

This message has a particular resonance with the charity's core customer/donor base. We suggested that the charity consider a strapline that focuses more on an aspiration to improve the conditions of life of the people of Israel. The charity's representatives agreed to keep the matter under review.

The charity also uses wording on its website 'online donations' page that could be viewed as politically sensitive e.g. "The State of Israel belongs to the entire Jewish people." The use of such language has arguably given ammunition to those wanting to question the legitimacy of the charity's work.

We recommended that the trustees review the JNFCT website and all other information they publish. They should try to ensure that such information refrains from indicating a moral/political support for the state of Israel, but rather explains the focus of the charitable activities currently being funded by the Trust – [Action 1]

The charity's representatives admitted that some confusion can arise from the fact that the Hebrew translation for Jewish National Fund also produces the initials KKL (distinct from Keren Kayemeth LeIsrael, its traditional agent in Israel), by which the charity can be known in Israel.¹ This confusion may become an issue in the UK as well, for the reason set out below.

Governance

(a) Committees

The charity's work is supported by a number of fundraising committees across the country, e.g. JNF Ark. This particular group was formed by young married couples, and puts on events such as comedy nights, car rallies, cinema showings and raffles. The Committee has its own page on the Trust's website.

The charity's representatives explained that while JNFCT tries to encourage such committees and allows them to use the JNF brand, it is ultimately not responsible for them. The relationship with these committees is not clear from the charity's website and we advised the charity to consider clarifying their status in the web- and paper-based information that refers to them. This could include appropriate disclaimers to minimise reputational risk. The trustees may also wish to consider introducing a written code of conduct for each such committee, so as to set clear standards for those involved in co-ordinating projects on behalf of the Trust – [Action 2]

(b) Monitoring

It was clear from our discussions that the trustees and the Chief Executive see value in measuring the impact of the charity's activities. Various methods are used to help monitor projects. For example, the charity's President and Chief Executive regularly make on-site visits to inspect work being undertaken. The findings of such visits are regularly reported back to the board. Further funding is only provided on the basis of structured progress being achieved on the ground.

Independent professionals are used to advise the charity upon the merits of future projects. The charity also liaises closely with local inhabitants in the area who may be affected.

We recommended that the charity takes steps to publish its 'grant-making' policy more widely, setting out the criteria it uses when assessing potential projects, as well as the

¹ The new JNF logo may help to distinguish the charity from KKL.
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monitoring processes involved once funding has been awarded. This would help promote greater transparency about the charity's activities and processes – **[Action 3]**

Trading Subsidiaries

The charity currently has 2 trading subsidiaries, KKL Executor & Trustee Co and Bloomsbury Advertising Agency.

It was explained that KKL Executor & Trustee Co essentially provides a will drafting and estate planning service to members of the public. This service is provided free to those individuals who agree to leave a legacy to JNFCT. The trustees regularly review the financial performance of this trading arm and are satisfied that its activities are highly profitable for JNFCT.

We noted that the nature and profitability of the activities undertaken by the subsidiary is not entirely clear from the Trust's accounts. We therefore advised the trustees to consider providing an appropriate explanation in either their annual report or in the notes to the accounts. The trustees should also formally record their periodic considerations of the suitability of the subsidiary as an investment – **[Action 4]**

We also discussed possibly changing the name of the subsidiary, so as to differentiate the company from the KKL organisation based in Israel. The charity is currently reluctant to do so, given the positive image the company's brand currently enjoys. However the trustees agreed to keep this under review.

The charity's representatives explained that Bloomsbury Advertising Agency is now dormant. It is likely to be wound up in the near future.

Governing Document

The charity is governed by Memorandum and Articles of Association dating back to 1939.

We advised the charity to conduct a review of the document to ensure that the provisions contained within it remain suitable and relevant to JNFCT's needs. In particular, we suggested that the trustees review the wording of the charity's stated objects, clause 3(1) in the Memorandum of Association. We believe it would be helpful to more clearly define the charity's stated area of benefit² – **[Action 5]** The Commission would be happy to provide further advice on revising the wording of the objects once the trustees have had the chance to consider the matter.

The trustees might also wish to review the trustee appointment provisions in the Articles of Association. From our understanding of the current procedure in place, it is the charity's President who appoints new trustees, which is contrary to the Articles of Association. Our model *Memorandum and Articles of Association – GD1*³ might provide a useful template in this respect.

² The trustees should be aware that Section 64 of the Charities Act 1993 requires that the prior written consent of the Commission be obtained if the charity wishes to amend either its objects clause or any provisions in its governing documents which direct or restrict how charity property is applied. Further information can be found in the Commission's operational guidance, OG47 'Alterations to Governing Documents: Charitable Companies' which can be accessed at: www.charitycommission.gov.uk/supportingcharities/ogs/index047.asp.

³ This can be downloaded from the Commission's website at: <http://www.charitycommission.gov.uk/Library/publications/pdfs/gd1text.pdf>
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Trusteeship

The Commission noted the charity's strong procedures in this area, particularly the comprehensive trustee induction procedure, and the role descriptions for the trustees and honorary officers.

However, we did identify in the course of the discussion one legal issue relating to the appointment of [REDACTED] as a director of the charity. As stated above, the directors of a charitable company are also the charity trustees for the purposes of section 97(1) of the Charities Act 1993. Therefore, as a director, [REDACTED] receipt of his current salary technically amounts to an unauthorised trustee benefit. It seemed from the ensuing discussion that this position had been the result of a misunderstanding, since [REDACTED] is not allowed to vote at meetings of the trustees. We explained that the charity has two options available:

- 1) Write to the Commission explaining the background to [REDACTED] appointment as a director. From our understanding [REDACTED] was employed as [REDACTED] prior to this appointment. He indicated at the visit that he is willing to resign his directorship with immediate effect.

Under these circumstances it is unlikely we would need to authorise his continued employment at the charity.

- 2) The trustees may wish to argue that it is necessary and expedient in the interests of the charity for [REDACTED] to remain both a trustee and employee of the charity. A suitable case would need to be made before our consent would be granted to such a scenario. Further guidance is given in our booklet CC11 'Payment of Charity Trustees' – [Action 6]

Finance

The charity appears to have robust financial policies and procedures in place. It is also in a relatively healthy financial position with revenues forecast to increase consistently over the next five years. A financial forecast for 2005 to 2009 has been produced.

Trustees' Annual Report and Financial Statements

Prior to the review visit, the Commission conducted a scrutiny of the Trustee's Annual Report and financial statements for the financial year ending 31 December 2003 in relation to the Accounting and Reporting by Charities: Statement of Recommended Practice (2000) (SORP). The Trustees' Annual Report and Financial Statements were found to be fully compliant with the SORP, with the following 2 exceptions:

- The charity's grant making policy should be disclosed in the trustees' annual report (SORP paragraph 31 e). This policy should include how applications are assessed and how grants are monitored.
- The notes to the financial statements should include further details to help the reader of the accounts to understand how the grants made relate to the objects of the charity and the policy adopted by the trustees in pursuing these objects. The charity should disclose the total number and the total value of the grants given for different charitable purposes, detailing the number and value of grants made to the top 50 institutions and the total number and value of grants made to individuals. Full details of the disclosures required are in SORP paragraphs 139-146.

The trustees were advised to ensure that the 2004 accounts are fully compliant with the SORP – [Action 7] A new SORP for accounts for the financial year beginning on

or after 1 April 2005 has been issued recently by the Accounting Standards Board. The trustees may wish to refer to their auditors for advice regarding the requirements of the updated SORP

Land Dispute

The Commission has had previous correspondence with the charity in respect to a significant land dispute which it is still having with KKL. The dispute relates to the beneficial ownership of property purchased in Israel prior to 1950. The land was purchased by KKL but with JNECT funds. In 1996 the land was estimated to be worth £55 million.

It was explained that this matter is still unresolved. The trustees are continuing to take professional advice, however, the situation does not have an impact on the charity's current activities.

We confirmed that the Commission has no concerns about the dispute. We repeated our advice that the trustees must obviously use their best endeavours to obtain the most advantageous solution possible for the charity.⁴

On a separate issue concerning KKL, the charity informed us that Israeli organisation has registered a company in the UK called 'KKL Charitable Trust'. The charity's representatives were aware that the use of the word charitable in a company's name needs to be authorised by the Commission. We agreed to investigate the matter further to see if we had a regulatory interest.

⁴ Having considered this matter further after the visit, we can confirm that the Trustees have the power to enter into a resolution of the dispute, including a compromise, provided that they have taken appropriate professional advice. The legal sanction of the Commission is not required.

4. REVIEW VISIT SOURCES OF INFORMATION

SOURCES OF INFORMATION	DETAILS
Charity's governing document	Memorandum and Articles of Association.
Charity's Annual Report and Accounts	For year ending 31 December 2003.
Internal Financial Controls Checklist (CC8)	Completed by charity prior to visit.
Minutes of trustee meetings	29/11/04, 10/01/05, 21/02/05, 04/04/05
Minutes of AGMs	32/10/03, 25/10/04
Other information	Five Year Financial Plan for 2005 to 2009 Organisation charts (various) Details of induction process Job description for the Chair/Treasurer/Trustees Code of Conduct for Trustees JNF Quality Management System 'JNF Internal Procedures' JNF Expenditure Guidelines Disciplinary and Grievance Procedure Risk Register Contract of Employment

Review Visit Follow-up Declaration

RV2B

Charity: J. N. F. Charitable Trust

Charity number: 225910

Date of Review Visit: 14 July 2005

Case number: 475163

Please complete and return to Review Visit team London by 12 months from issue of the final report

Signed:

..... (Trustee)

..... (2nd Trustee or CEO)

Note: Legal Requirements cannot be rejected and trustees must provide reasons for rejecting good practice recommendations.

Actions or Issues	Legal Requirement (LR) / Good Practice (GP)	Accepted	Rejected	Date for implementation	Comments
Review the JNFCT website and all other information published by the charity.	GP			6 months	
Clarify the status of the charity's various fundraising committees on its website. Plus, consider introducing a written code of conduct for the committees.	GP			12 months	
Takes steps to publish the charity's 'grant-making' policy more widely.	GP			6 months	

Actions or issues	Legal Requirement (LR) / Good Practice (GP)	Accepted / Rejected	Date for implementation	Comments
Provide an appropriate explanation of the activities and profitability of KKL Executor & Trustee Company in the accounts of JNFCT. The trustees should also formally record their periodic considerations of the suitability of the subsidiary as an investment.	GP		Next accounts	
Conduct a review of the charity's governing document.	GP		12 months	
Regularise the position in respect to [REDACTED] trusteeship/employment at the charity.	LR		6 months	
Ensure that the charity's 2004 accounts are fully compliant with the SORP	LR		Next accounts	