

# **THE FRIENDS OF THE ROYAL ACADEMY**

**(A Company Limited by Guarantee)**

**Registered Charity No. 272926**

**Registered Company No. 01291535**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 AUGUST 2017**

# **The Friends of the Royal Academy Reference and Administrative Information**

## **Patron**

HRH The Duchess of Cornwall

## **Trustees**

Clive Humby (Chairperson)

Denise Wilson (Chairperson) (resigned 9 March 2017)

Nicola Bannister

Diana Carney

Ben Joseph (Treasurer)

Prof. Chris Orr RA

Rebecca Salter RA

Greg Sanderson

Edwina Sassoon (resigned 9 March 2017)

Charles Saumarez Smith

## **Company Secretary**

Susan Gent

## **Auditors**

Kingston Smith LLP

Devonshire House

60 Goswell Road

London EC1M 7AD

## **Bankers**

Lloyds Bank Plc

4th Floor

25 Gresham Street

London EC2V 7HN

## **Solicitors**

Macfarlanes LLP

20 Cursitor Street

London EC4A 1LT

Withers LLP

16 Old Bailey

London EC4M 7EG

## **Registered Office**

Burlington House

Piccadilly

London W1J 0BD

## **Registered Charity Number**

272926

## **Registered Company Number**

01291535

# **The Friends of the Royal Academy (A Company Limited by Guarantee) Trustees' Report**

## **CONSTITUTION AND CHARITABLE OBJECTIVES**

### **Constitution**

The Friends of the Royal Academy ("the Charity") is a registered charity, which was incorporated as a company limited by guarantee in December 1976 to support the work of The Royal Academy of Arts ("the Royal Academy"), a legally separate charity which has promoted the fine arts in the UK since 1768, and the Royal Academy Development Trust (registered charity number 1067270), which was established in 1981, to provide funds in support of the Royal Academy.

### **Governance and management**

The Charity is an independent body governed by a board of directors (the "Board"), who are also the trustees of the Charity. In accordance with the Articles of Association, the number of directors shall be not less than seven and not more than 15.

On appointment as a director, the appointee is invited to become a Member of the Charity. There can be up to 25 Members of the Charity and Members are drawn from several sources including: Royal Academicians, donors to the Royal Academy, the business community and other volunteers.

The Board convenes regular meetings to discuss the strategic, financial and operational performance of the Friends' scheme and also meet frequently with the Royal Academy management team and other members of staff. The Board receives all relevant documentation relating to the constitution and operation of the Friends' scheme and is provided with additional training as required.

### **Remuneration of key management personnel**

The Charity considers key management personnel to be the trustees who do not receive remuneration for their services. As noted below, the day to day management of the Charity is performed by staff employed by the Royal Academy.

### **Relationship with the Royal Academy**

Although the Charity is governed by an independent body, the day to day management of the Friends' scheme is through staff employed by the Royal Academy, who are supported by a team of unpaid Friends' volunteers.

### **Objectives and activities**

The objects of the Charity, as set out in the Articles of Association, are to support the charitable work of the Royal Academy and the Royal Academy Development Trust. Its activities include ensuring sound financial control; clear strategic direction; and the targeting of funds to improve the Friends experience and public benefit.

### **Aims for the coming year**

The aims and objectives for the 2017/18 financial year are as follows:

- To promote and enhance the appreciation of visual arts at the Royal Academy through the Friends' scheme
- To maximise the charitable contributions raised for the benefit of the Royal Academy
- To increase public participation for the benefit of the Royal Academy
- To raise funds for the Royal Academy's public appeal.

The Charity will seek to achieve these objectives through the continuation of a successful programme of Friends' events; campaigns to recruit new Friends; measures to retain Friends through continued improvement of the visitor experience; providing new Friends offerings at tiered pricing points to give Friends' greater choice, including two new membership tiers "RA250 Friend" and "RA250 Supporter" introduced in October 2017 in recognition of the forthcoming 250<sup>th</sup> anniversary of the Royal Academy and to thereby enable the Charity to raise further funds for the benefit of the Royal Academy; and by actively engaging its loyal Friends to support the Royal Academy's wider ambitions for 2018, including a multi-faceted fundraising appeal.

# **The Friends of the Royal Academy (A Company Limited by Guarantee) Trustees' Report**

## **FINANCIAL REVIEW, ACHIEVEMENTS, PERFORMANCE AND PUBLIC BENEFIT**

### **Financial review**

During the year, the Charity received total income of £11,104,299 (2016: £11,049,323), including subscription income and Gift Aid of £10,976,696 (2016: £10,969,201) from a total membership of 98,540 (2016: 100,146) Friends.

After expenditure of £1,731,239 (2016: £1,450,947) net income amounted to £9,373,060 (2016: £9,598,376).

It is the practice of the Board to make a donation to the Royal Academy of the income received after the deduction of expenditure, with the objective to increase the net contribution year on year. The net income for the current year has been donated to the Royal Academy.

The net movement of funds for the year was £nil (2016: £nil). The Board does not recommend any transfer to or from reserves (2016: £nil).

### **Achievements and performance**

The Charity celebrated its 40<sup>th</sup> anniversary in the year. To mark this anniversary, a series of events welcomed Friends to visit the Royal Academy Schools, Library and off-site Collections store to learn about the recent achievements and future ambitions of the Royal Academy. The family of Sir Hugh Casson also helped to mark the occasion by donating almost 80 of the architect's sketchbooks to the Royal Academy. This generous gift was displayed during Friends Week in May 2017.

Just over 12,000 new Friends joined in 2016/17 and with an annual renewal rate of nearly 86%, we closed the year with 98,540 Friends, just down from last year's closing peak of 100,146. Through marketing in Grazia magazine and other media channels, gift memberships reached new audiences, with 82% of over 3,500 new gift memberships (representing nearly 30% of new Friends) given by non-Friends.

The net income for the year before donations to the Royal Academy was £9,373,060.

In making a donation of £9,373,060 to the Royal Academy, the Charity has significantly contributed to the continuing development of the Royal Academy's activities, including the presentation of a world class exhibition programme, the post graduate education of artists in the Royal Academy Schools and the preservation and maintenance of the Royal Academy's historic buildings and collections.

Additional support from the Charity's activities has included a successful programme of Friends' events and other additional targeted fundraising events.

A number of initiatives were pursued throughout the year to maximise future performance:

- Face to face campaigns for the recruitment of new Friends from visitors to the exhibition programme
- Providing additional activities designed to enhance the experience of members, including events within the Royal Academy and external guided tours
- An in depth review of the current Friends' offering and pricing ahead of offering new membership tiers in the 2017/18 financial year.

The structure of the Charity's volunteer programme is evolving with the Royal Academy's redevelopment project and changes to the Royal Academy's campus and offer. Construction work has meant that some aspects of the Charity's volunteer programmes have had to be scaled back or curtailed. In particular, the Charity bid farewell to the Friends volunteers in their current role in the Entrance Hall of Burlington House. We are extremely grateful for their years of dedication and hard work.

### **Public benefit and impact**

The Charity exists to support the charitable work of the Royal Academy and to promote and to co-operate with the Royal Academy and other charitable organisations in promoting the arts of design and the creation and appreciation of the arts.

## **The Friends of the Royal Academy (A Company Limited by Guarantee) Trustees' Report**

### **Public benefit and impact (continued)**

In implementing the stated objectives through the strategies described above, the Board has complied with the duty in Section 17 of the Charities Act 2011 and the guidance published by the Charity Commission, namely to have due regard to public benefit.

The Charity donates its surplus to the Royal Academy in support of its charitable objectives and in doing so brings considerable benefit to members of the public who visit and participate in the activities of the Royal Academy. The impact and public benefit provided by the Royal Academy and the more formal impact assessment approach being undertaken, including identifying impact goals and tracking and measuring impact, is considered in the Royal Academy's Trustees' Report. Given that the Charity's donation has this year provided 25% of the Royal Academy's incoming resources from ongoing activities, the Charity is providing a significant contribution towards meeting these impact goals.

The Friends membership scheme is open to all members of the public and offers significant cost savings to ensure the Friend, an adult family guest and up to two family children can enjoy unlimited entry to experience and appreciate the art on display at the Royal Academy. Friends are also kept up to date on news of the Royal Academy and the art world through the quarterly RA magazine and Friends' newsletters and emails, which are sent directly to each Friend.

Friends are also encouraged to explore art outside of the Royal Academy through external Friends' events and excursions, domestic and international. The Friends also offer a Young Person category of membership at a reduced rate to enable young people to benefit from Friends membership at the Royal Academy and access to special events tailored towards the younger demographic.

### **Related party transactions**

None of the trustees receive remuneration or other benefit from their work with the Charity. Transactions with related parties are disclosed in note 18 to the financial statements.

### **Reserves policy**

The Board has reviewed the reserves of the Charity, including its free reserves (those that are not restricted, designated or invested in fixed assets). Having regard to the relationship with the Royal Academy and anticipated future cash flows, the current practice is to pass the entire annual net income to the Royal Academy and not to accumulate reserves. The Board considers that the actual level of free reserves at 31 August 2017 of £115,734 (2016: £115,734) is appropriate.

### **Risks**

The Board, advised by specialist committees, the Royal Academy management team and the Royal Academy General Counsel, evaluates and monitors risks and ensures that systems and controls are in place and are subject to review. Where appropriate, management action is undertaken to mitigate those risks. The trustees have reviewed the risks to which the Charity is exposed and the mitigating actions planned to address them.

The major risks identified include the risk of a reduction in Friends membership due to price sensitivity or due to changing popularity of the exhibition programme. Risk of failure of the database software and security is also recognised, as well as risks generated from having to adhere to strict tax legislation and HMRC guidelines.

The management team is undertaking strategies to limit the exposure to these risks and to mitigate them as far as is achievable. Mitigation steps include continued review and improvement to the Friends' visitor experience and periodic Friends membership pricing reviews; continuous development and enhancement of software, with focus on data protection; and internal tax compliance controls and procedures, together with advice from external tax advisors on technical issues and the impact of any changes in legislation.

**The Friends of the Royal Academy  
(A Company Limited by Guarantee)  
Trustees' Report**

**Statement of trustees' responsibilities**

The trustees (who are also directors of The Friends of the Royal Academy for the purpose of company law) are responsible for preparing the trustees' report and the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business;
- observe the methods and principles in the Charities SORP.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Audit information**

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

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

**Auditors**

A resolution to reappoint Kingston Smith LLP as auditors will be put to the members at the Annual General Meeting.

This report was approved by the trustees on ..... 6.12.2017 ..... and signed on its behalf, by:



**Clive Humby  
Chairperson**

Date: 6.12.2017

# **The Friends of the Royal Academy Independent Auditors' Report to Members of The Friends of the Royal Academy**

We have audited the financial statements of The Friends of the Royal Academy ("the charitable company") for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2017 and of 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.

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 company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

## **Other information**

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

# **The Friends of the Royal Academy Independent Auditors' Report to Members of The Friends of the Royal Academy (continued)**

## **Other information (continued)**

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

We have nothing to report in this regard.

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

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

- the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' annual report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees' annual report and from preparing a strategic report.

## **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**The Friends of the Royal Academy  
Independent Auditors' Report to Members of  
The Friends of the Royal Academy (continued)**

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

As part of an audit in accordance with ISAs (UK) we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the charitable company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Nicholas Brooks (Senior Statutory Auditor)**  
for and on behalf of Kingston Smith LLP, Statutory Auditor

Date:

6/12/17

Devonshire House  
60 Goswell Road  
London EC1M 7AD

**The Friends of the Royal Academy  
Statement of Financial Activities  
For the year ended 31 August 2017**

		<b>Unrestricted funds 2017 £</b>	<b>Designated funds 2017 £</b>	<b>Total 2017 £</b>	<b>Total unrestricted funds 2016 £</b>
	<b>Note</b>				
<b>Income from:</b>					
Donations and legacies		15,129	50,000	65,129	5,979
Charitable activities	4	10,976,696	-	10,976,696	10,969,201
Other income		62,474	-	62,474	74,143
Total income		<b>11,054,299</b>	<b>50,000</b>	<b>11,104,299</b>	<b>11,049,323</b>
<b>Expenditure on:</b>					
Charitable activities					
Members' activities	5	(1,731,239)	-	(1,731,239)	(1,450,947)
Donation to The Royal Academy of Arts		(9,323,060)	(50,000)	(9,373,060)	(9,598,376)
Total expenditure		<b>(11,054,299)</b>	<b>(50,000)</b>	<b>(11,104,299)</b>	<b>(11,049,323)</b>
<b>Net income / (expenditure)</b>	6	-	-	-	-
Total funds brought forward		<b>115,734</b>	-	<b>115,734</b>	115,734
<b>Total funds carried forward</b>		<b>115,734</b>	-	<b>115,734</b>	115,734

All gains and losses are included in the Statement of Financial Activities and derive from continuing activities.

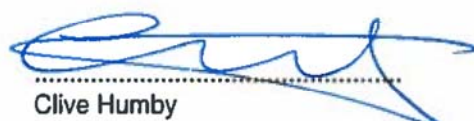
The notes on pages 12 to 18 form part of these financial statements.

**The Friends of the Royal Academy  
Balance Sheet at 31 August 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>	11	<u>-</u>	<u>2,016</u>
<b>Current assets</b>			
Debtors	12	239,679	328,201
Cash at bank and in hand		<u>11,540</u>	<u>35,213</u>
		251,219	363,414
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	13	<u>(135,485)</u>	<u>(249,696)</u>
<b>Net current assets</b>		<u>115,734</u>	<u>113,718</u>
<b>Total assets less total liabilities</b>		<u>115,734</u>	<u>115,734</u>
<b>The funds of the Charity:</b>			
<b>Unrestricted funds</b>			
Designated	14	-	-
Unrestricted		<u>115,734</u>	<u>115,734</u>
<b>Total funds</b>		<u>115,734</u>	<u>115,734</u>

The notes on pages 12 to 18 form part of these financial statements.

Approved and authorised for issue by the Board on .....6.12.2017

  
.....  
Clive Humby  
Trustee

Company No: 01291535

**The Friends of the Royal Academy**  
**Statement of Cash Flows**  
**For the year ended 31 August 2017**

	<b>Note</b>	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
<b>Cash used in operating activities</b>	15	<b>(23,673)</b>	<b>(9,625)</b>
Decrease in cash equivalents in the year		<b>(23,673)</b>	<b>(9,625)</b>
Cash and cash equivalents at the beginning of the year		<b>35,213</b>	<b>44,838</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>11,540</b>	<b>35,213</b>

# **The Friends of the Royal Academy Notes to the Financial Statements For the year ended 31 August 2017**

## **1 General information**

The Friends of the Royal Academy ("the Charity"), is a registered charity, which is incorporated as a company limited by guarantee.

The Charity was established to primarily support the charitable work of The Royal Academy of Arts ("the Royal Academy") and to promote and to co-operate with the Royal Academy and other charitable organisations in promoting the Arts. The address of its registered office is Burlington House, Piccadilly, London.

## **2 Summary of significant accounting policies**

The financial statements have been prepared under the historical cost convention and in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Charities Act 2011.

The financial statements are prepared in sterling which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest pound.

The Charity is a Public Benefit Entity as defined by FRS 102.

### **a. Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out in the notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **b. Going concern**

The trustees consider that there are no material uncertainties about the Charity's ability to continue as a going concern. There are no material uncertainties affecting the current year's financial statements.

### **c. Funds structure**

Unrestricted income funds are sub analysed between designated funds, where the trustees have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors; and unrestricted funds, which are used at the trustees' discretion in furtherance of the general objectives of the Charity.

### **d. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributed to bringing the asset to its working condition for its intended use.

Depreciation is calculated, using the straight line method, to allocate the cost of assets over their estimated useful lives, being five years.

**The Friends of the Royal Academy  
Notes to the Financial Statements  
For the year ended 31 August 2017 (continued)**

**2 Summary of significant accounting policies (continued)**

**e. Income**

All income is recognised once the Charity has entitlement to the resources, it is probable (more likely than not) that the resources will be received and the monetary value can be measured with sufficient reliability.

Subscription income and related Gift Aid is accounted for on receipt and is stated exclusive of any VAT.

Donations are accounted for when these are received.

Ticket sales made in relation to events taking place in the next financial year are included as deferred income.

**f. Legacies**

Legacies are accounted for as income where there is clear entitlement; the amounts can be measured accurately; and there is reasonable probability of receipt.

Receipt is probable when:

- Confirmation has been received from the representatives of the estate(s) that probate has been granted;
- The executors have established there are sufficient assets in the estate to pay the legacy; and
- All conditions attached to the legacy have been fulfilled or are within the Charity's control.

**g. Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each category of expense shown in the Statement of Financial Activities.

**h. Pension costs**

Pension costs reflect the employer pension contributions recharges from the Royal Academy. There is no liability for the Charity with regards to defined benefit pension scheme funding or any associated liabilities, with reference to its inclusion being provided in these financial statements, but merely to provide clarity with regards to the re-charged pension contributions only.

**i. Charitable activities**

Costs of charitable activities comprise the expenditure associated with supporting the Charity members and making donations to the Royal Academy.

Included within charitable activities are governance costs. These are costs incurred in the governance of the Charity and its assets. These are primarily concerned with constitutional and statutory requirements.

**j. Financial instruments**

**i. Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand.

**The Friends of the Royal Academy**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2017 (continued)**

**j. Financial instruments (continued)**

**ii. Debtors and creditors**

Debtors and creditors receivable or payable within one year of the reporting date are carried at their transaction price. Debtors and creditors that are receivable or payable in more than one year and not subject to a market rate of interest are measured at the present value of the expected future receipts or payment discounted at a market rate of interest.

**3 Critical accounting judgments and estimation uncertainty**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a. Impairment of debtors**

The Charity makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

<b>4 Income from charitable activities</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Subscription income	<b>9,442,122</b>	9,400,762
Gift Aid	<b>1,534,574</b>	1,568,439
Total	<b>10,976,696</b>	10,969,201

Subscription income relates to annual membership fees paid to become a "Friend" of the Charity. Total membership as at 31 August 2017 was 98,540 Friends (2016: 100,146 Friends).

<b>5 Analysis of expenditure on members' activities</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Staff costs (see note 8)	<b>465,293</b>	409,599
Printing and mailing	<b>234,842</b>	215,333
Magazine	<b>552,985</b>	507,126
Marketing and research	<b>237,547</b>	116,884
Facilities charges	<b>69,366</b>	66,000
Audit fees	<b>12,350</b>	12,000
Accountancy fees	<b>785</b>	2,953
Depreciation of tangible assets	<b>2,016</b>	7,437
Other costs	<b>156,055</b>	113,615
Total	<b>1,731,239</b>	1,450,947

<b>6 Net income / (expenditure)</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation	<b>2,016</b>	7,437
Auditors' remuneration:		
Audit services	<b>12,350</b>	12,000
Other services	<b>785</b>	2,953

**The Friends of the Royal Academy**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2017 (continued)**

**7 Role of volunteers**

Like all charities, The Friends of the Royal Academy, is reliant on a team of volunteers of which the Charity has 68 (2016: 62).

In accordance with the SORP, due to the absence of any reliable measurement basis, the contribution of these volunteers is not recognised in the financial statements.

<b>8 Analysis of staff costs</b>	<b>2017</b>	2016
	<b>£</b>	£
Wages and salaries	<b>397,253</b>	336,387
Social security costs	<b>38,130</b>	34,384
Employers pension contributions	<b>29,910</b>	30,363
Redundancy payments	<b>-</b>	8,465
	<hr/>	<hr/>
Total	<b>465,293</b>	409,599
	<hr/>	<hr/>

Staff costs represent the costs of staff employed by the Royal Academy and recharged to the Charity. The Charity engaged an average of 11 permanent staff (2016: 9).

One employee earned more than £60,000 in the year (2016: one). In 2017, one employee was in the band of £70,000 - £79,999 (2016: £70,000 - £79,999) and had pension contributions of £7,105 (2016: £6,025).

The trustees have concluded that the board of trustees comprise the key management personnel of the Charity.

**9 Trustees' remuneration, benefits and expenses**

The Charity's trustees give their time freely and receive no remuneration for the work that they undertake as trustees. However, they can claim expenses to reimburse them for costs that they incur in fulfilling their duties.

No trustee was reimbursed for any costs incurred in fulfilling their duties (2016: £nil).

**10 Taxation**

The Charity has suffered no tax charge, as it is not subject to UK corporation tax on its charitable activities.

**The Friends of the Royal Academy**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2017 (continued)**

<b>11 Tangible fixed assets</b>		<b>Computer equipment £</b>
<b>Cost</b>		
At 31 August 2016		56,294
At 31 August 2017		56,294
<b>Depreciation</b>		
At 31 August 2016		54,278
Depreciation for year		2,016
At 31 August 2017		56,294
<b>Net book value</b>		
At 31 August 2017		-
At 31 August 2016		2,016
<b>12 Debtors</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Amounts owed by the Royal Academy	157,499	237,922
Amounts owed by R.A. Enterprises Limited	456	9,780
Recoverable taxes	72,246	76,037
Other debtors	3,605	129
Prepayments	5,873	4,333
Total	<b>239,679</b>	<b>328,201</b>
Amounts owed by related undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.		
<b>13 Creditors - amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	53,104	13,222
Taxation	23,210	84,762
Other creditors	1,312	779
Accruals	54,668	137,073
Deferred income (see below)	3,191	13,860
Total	<b>135,485</b>	<b>249,696</b>

**The Friends of the Royal Academy**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2017 (continued)**

**13 Creditors - amounts falling due within one year (continued)**

Deferred income relates to ticket sales made in relation to events taking place in the next financial year.

	2017 £	2016 £
Balance brought forward at 1 September	13,860	2,140
Amount released to income	(13,860)	(2,140)
Amount deferred in the year	<u>3,191</u>	<u>13,860</u>
Balance at 31 August	<u>3,191</u>	<u>13,860</u>

**14 Designated funds**

	Opening funds £	New designations £	Utilised £	Closing funds £
Public appeal fund	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>

The public appeal fund relates to a legacy received in the year, which was designated towards the Royal Academy's public appeal, reflecting the non-binding wishes of the donor.

**15 Notes to the statement of cash flows**

<b>Reconciliation of net movement in funds to net cash flow from operating activities:</b>	<b>2017 £</b>	<b>2016 £</b>
Net movement in funds:	-	-
Adjustments for:		
- Depreciation of tangible fixed assets	2,016	7,437
- Decrease in debtors	88,522	136,409
- Decrease in creditors	<u>(114,211)</u>	<u>(153,471)</u>
Net cash used in operating activities	<u>(23,673)</u>	<u>(9,625)</u>

**16 Financial commitments**

The Charity had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due:	2017 £	2016 £
Not later than one year	37,800	37,800
Later than one year and not later than five years	<u>94,500</u>	<u>132,300</u>
Total	<u>132,300</u>	<u>170,100</u>

**The Friends of the Royal Academy**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2017 (continued)**

**17 Financial instruments**

The financial statements include the following in respect of items held at fair value at 31 August:

	2017 £	2016 £
Financial assets measured at amortised cost	<u>161,560</u>	<u>247,831</u>
Financial liabilities measured at amortised cost	<u>109,084</u>	<u>151,074</u>

**18 Related party transactions**

During the year the Charity donated £9,373,060 (2016: £9,598,376) to the Royal Academy and reimbursed expenditure of £534,659 (2016: £476,127), including salaries of £465,293 (2016: £409,599) and facilities charges of £69,366 (2016: £66,000) for the Charity's use of Keeper's House, being £52,000 (2016: £52,000) for rent and £17,366 (2016: £14,000) for utilities. At the year end, £157,499 (2016: £237,922) was outstanding and included within debtors.

During the year the Charity purchased £552,985 (2016: £507,126) of goods from R.A. Enterprises Limited, a subsidiary of the Royal Academy, related to costs for the quarterly RA magazine. At the year end, £456 (2016: £9,780) was outstanding and included within debtors.

In order to optimise cash management efficiency, the current accounts of the Charity and the Royal Academy and its subsidiary undertakings are pooled, such that overnight all cleared debit and credit balances on the current accounts of these entities are set off into a single Royal Academy account. The debtor and creditor balances between each of the entities in this pooling group at the year end in part reflects this pooling arrangement.

During the year, the Charity purchased consultancy services from Purple Seven Limited totalling £25,460 (2016: £nil). Clive Humby, a trustee of the Charity, had a significant interest in and was a director of Purple Seven Limited during the year ended 31 August 2017. At the year end, £3,000 (2016: £nil) was outstanding and included within creditors.