

**Charity No. 258348 (England and Wales)**

**Royal Watercolour Society**

**Trustees' report and financial statements  
for the year ended 31 December 2019**

**Royal Watercolour Society**

**Reference and administrative details  
For the year ended 31 December 2019**

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## Royal Watercolour Society

### Reference and administrative details For the year ended 31 December 2019

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<b>Registered charity number</b>	258348
<b>Charity name</b>	Royal Watercolour Society is the working name of the registered charity Royal Society of Painters in Water Colours
<b>Council</b>	<b>At the date of signing:</b> Jill Leman (President) Mark Raggett (Senior Vice President) Jim Hunter Gertie Young (Treasurer) Liz Butler Francis Bowyer James Faure Walker (Hon Curator) Chloe Fremantle David Hamilton John Crossley Jane Lewis Thomas Plunkett (Past President) Lisa Traxler Liz Butler
<b>Administrative office</b>	Bankside Gallery 48 Hopton Street Blackfriars London SE1 9JH
<b>Bankers</b>	National Westminster Bank Plc 91 Westminster Bridge Road London SE1 7HW
<b>Solicitors</b>	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
<b>Investment advisers</b>	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
<b>Independent examiner</b>	Cara Turtington FCA DChA Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

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## **Introduction**

The Council is pleased to present the annual report and financial statements of the Royal Watercolour Society for the year ended 31 December 2019. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with its own Laws and Regulations, the Charities Act 2011 and 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 Republic of Ireland.

## **Structure, governance and management**

### **Governing document and legal status**

The Royal Watercolour Society was founded in 1804 and received its Royal Patronage in 1881. The Society has administered its affairs and exhibited as an independent body since its foundation. The Society is an unincorporated association, governed by an internally approved set of Laws. The Society is a registered charity No. 258348.

### **Related parties**

The Royal Watercolour Society and The Royal Society of Painter-Printmakers are jointly and equally owners of Bankside Gallery, a company limited by guarantee and a registered charity. The Royal Watercolour Society works regularly in partnership with The Royal Society of Painter-Printmakers and Bankside Gallery to pursue its charitable purposes, and shares some common Council/Board members.

The Society is party to an indemnity in favour of Bankside Gallery which commits the Society to offering continuing financial support and assistance to the Gallery for periods of two years at a time. Further details can be found in the notes to these financial statements.

### **Organisational structure**

The governance and strategic planning of the Society are carried out by a Council of Members (acting as trustees of the charity) that meets quarterly. The Council comprises the officers of the Society elected by ballot, together with eight Members who serve for three years. There are also four Custodian Trustees, of which the President is one. The officers of the Society comprise the President, two Vice Presidents, a Secretary, and a Treasurer who provides financial reports to Council.

Administrative matters relating to the Society are carried out by one part-time member of staff employed by Bankside Gallery.

An Exhibitions Committee is responsible for considering Society exhibitions and a Hanging Committee is responsible for their display. The Director of Bankside Gallery is charged with finding suitable artists or organisations to hire the Gallery for exhibitions when it is not being used for shows by Members of the two Royal Societies. To ensure the requisite standard of work, all external proposals are reviewed by the two Society Presidents.

**Report of the members of Council (continued)**  
**For the year ended 31 December 2019**

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**Recruitment and appointment of Council members**

Council members are elected to carry out defined roles; in addition to the usual officer duties, these are Exhibitions, Membership, PR & Advertising, Website, Friends, Mailing list and Education. Appointments are for a term of three years, with the possibility of re-appointment.

Members of the Council are elected at an Annual General Meeting. A limited number of new members may be co-opted by the President.

**Investment powers and management**

All funds requiring investment are, in the absence of any special direction by a General Meeting of the Society, applied or invested by the Council, who have authority to effect transactions of stocks and shares held by them for the Society.

Funds are managed, on behalf of the Council, by Cazenove Capital Management Limited.

**Risk assessment**

Council reviews annually the major risks to which the charity is exposed, and takes action as appropriate to manage and mitigate those risks.

The principal risk faced by the Society is its limited sources of income which, in recent years, have been insufficient to cover the cost of its activities. Council is working to reduce this risk by implementing tighter controls over expenditure and by seeking ways to increase the Society's income in the future. New sources of income have recently included a Patrons Scheme, and future plans include the opening of a new Gallery to display the Society's Diploma Collection, which will provide significant opportunities to earn additional income for the charity. Until such time as the Society is able regularly to cover its costs, calls are made on the Society's designated funds to prevent the General Fund falling into deficit.

The Society is also vulnerable to the high cost of exhibitions, and to the susceptibility of painting sales to economic conditions and increasing competition for sales of artworks. Council mitigates these risks through careful planning of its exhibitions, and through working closely with Bankside Gallery in the promotion of its exhibitions to the public.

With no employed staff, Council members are limited in the time they have available to manage the Society's affairs. Council mitigates this risk through working closely with Bankside Gallery staff in relevant areas.

**Reserves policy**

Council has reviewed the Society's need for reserves in line with the guidance issued by the Charity Commission. Council currently recognises the need to set aside amounts to ensure the continuance of the following activities, for a minimum period of two years, in the event that funding should become unavailable from current surpluses:

- the continuing day-to-day operations of the Society;
- the preservation costs of the Diploma Collection;
- the Society's regular programme of education events;
- exhibition opportunities deemed by Council as important to maintain the Society's profile;
- agreed support for charitable activities carried out by Bankside Gallery on behalf of the Society.

**Report of the members of Council (continued)**  
**For the year ended 31 December 2019**

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**Reserves policy**

**(continued)**

A sum is also retained in reserves as a contingency against adverse fluctuations in the value of its investments.

At 31 December 2019, the Society held total reserves of £705,626 (2018: £649,830), comprising unrestricted reserves of £326,935 (2018: £331,065), restricted reserves of £333,075 (2018: £272,765) and an expendable endowment of £45,616 (2018: £46,000). Council is of the opinion that, in light of its future plans to mitigate the risks faced by the Society, the reserves held at the end of the year were sufficient to enable the Society to work successfully towards fulfilling its aims and objectives.

Restricted Funds comprise the Peter de Wint Capital Fund, the Peter de Wint General Fund and the Whitcomb Street Fund. The Peter de Wint funds are held for long-term use in accordance with the donor's intentions. The Whitcomb Street Fund is for the development of the new gallery space.

Designated Funds fall into two broad categories; firstly, funds set aside by Council to absorb future depreciation costs of recent capital projects - the balances on these funds will reduce though annual depreciation charges in accordance with the depreciation policy set out in Note 1.4 until such time as the related assets have been fully written down; secondly, funds donated to the Society or set aside by Council either to be used for a particular purpose, or to record funds used and remaining in respect of a particular legacy or donation - the balances on these funds will be used up over varying timescales as projects or needs dictate.

Summaries of movements in all funds during the year, together with a detailed description of the purposes for which the various funds may be used, are contained in the notes to the accounts.

**Accounting records**

The preparation of the Society's accounting records is outsourced to a bookkeeper who is suitably qualified for the task. Internal controls, appropriate for a charity of this size, have been put in place to protect the Society's funds and to ensure their proper application.

**Objectives and activities**

**Objectives**

The main objectives of the Society are the advancement of education and the improvement of public taste in art by means of the encouragement of watercolour painting.

**Activities**

The Royal Watercolour Society aims to achieve its objectives through the following activities:

- recruitment and election of Members;
- provision of gallery facilities;
- holding public exhibitions at Bankside Gallery in London and in other cities and towns throughout the country, as well as overseas;
- giving public lectures;

**Report of the members of Council (continued)  
For the year ended 31 December 2019**

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**Activities**

**(continued)**

- conserving, for the enjoyment and study of present and future generations, the Society's collections of paintings;
- building and retaining appropriate reserves to safeguard the charity's existence;
- managing the charity's funds and bequests responsibly to enable the Charity to achieve its objectives;
- such other ways as may from time to time be most appropriate.

**Public benefit**

Council has paid due regard to the Charity Commission's guidance on public benefit in deciding what activities the charity should undertake. The Royal Watercolour Society recognises and welcomes the need to carry out its charitable activities for the benefit of the general public, and retains this aim at the centre of its strategic planning. The Society continues to offer free admission to all of its exhibitions and is working to increase the amount and breadth of education work it carries out in the local community and beyond, seeking to involve people from the widest possible range of backgrounds and abilities.

**Achievements and performance**

The Royal Watercolour Society has worked hard to develop a programme of exhibitions, talks and events in support of its charitable aims and objectives. At a time when public funding of the Arts has been squeezed by other pressing concerns, the Society has stood firm and strengthened its efforts in the important task of promotion of the Arts, and the Visual Arts and works on paper in particular.

Council seeks to preserve the Society's nationally important historic legacy in the form of its Archive and Diploma collection, as well as being a significant cultural voice speaking on behalf of the Visual Arts and of the UK's tradition of works on paper and that of watercolour in particular, for which the Society is internationally recognised. Council continues to challenge itself to be bold in its mission to promote its artistic and charitable aims through exhibitions and educational outreach.

**Achievements against objectives**

The Royal Watercolour Society set out, at the start of 2019, to carry out the following activities:

- to promote Spring and Autumn exhibitions at Bankside Gallery, supported by a full programme of education and outreach activities and workshop days run by Society members some of which are free to the public across all age ranges, including running two free Family Drawing Days' in Spring and Autumn – these activities were completed, including running a number of art event days at Bankside Gallery, most recently during its Spring exhibition "Water, Paper, Paint". We also held the RWS Autumn Exhibition "The art of Travel" where workshops took place. We also arrange "Meet the Artist" events every Saturday and Sunday during RWS exhibitions at Bankside Gallery.
- to continue with the digitisation of the Society's historic and culturally significant Archive and Diploma Collection, to make it fully accessible online to the public, as well as artists and scholars worldwide - the digitisation of the archive is now at the stage where works have been photographed and are available via Bridgeman Art Library.
- to continue to plan for the Society's new Whitcomb Street space, with the goal of providing a central archive, gallery and education space where the Society can further fulfil its charitable

**Report of the members of Council (continued)  
For the year ended 31 December 2019**

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objective of the promotion of the arts and education – this project continues and is expected to be completed in Autumn 2020. The RWS held a fundraising event for Whitcomb Street at Bankside Gallery. A small exhibition about the history of RWS was on show plus an A5 works sale and an auction of paintings. All works were donated by members and invited artists.

- actively to seek partnerships, with other like-minded National institutions, to promote the Society's remit and charitable aims through exhibitions and events - this is an area the Society continues to explore. At the end of 2019 Angela Parker (Gallery Director) had negotiated an exhibition to take place in 2021. A small selection of members of the RWS and the RE would be given a year's access to Chelsea Physic Garden. This has been put on hold due to Covid-19.
- to continue to run a series of lectures and events at which eminent historians, authors and artists will talk to a wide audience about themes and ideas connected to the Society's exhibitions – this is a continuing aim of the Society in order to augment and enrich its exhibitions.

**Financial review**

**Sources of funding and financial position**

The Royal Watercolour Society funds its activities and administrative costs through membership subscriptions, grants, donations, bequests, income from exhibitions and education events, royalties from publications, and investment income and gains generated on its invested funds.

The financial position of the Charity is set out in the Statement of Financial Activities on page 13 and the Balance sheet on page 14.

During the year under review, total income amounted to £126,667 (2018: £226,534).

The cost of raising funds in the year was £13,886 (2018: £2,762), the total costs of charitable activities was £99,290 (2018: £118,643), of which support costs and governance costs (see note 3) amounted to £35,836 (2018: £30,772) and £6,712 (2018: £6,131) respectively.

Before investment movements, the Society made a net surplus from activities of £13,501 (2018: net surplus £105,129). After investment gains of £42,295 (2018: losses £29,287), the Society's Total Funds showed net surplus for the year of £55,796 (2018: net surplus: £75,842).

**Investment performance**

Investments are held in intermediate risk funds which provide opportunities for a good income return and also some growth of capital in real terms. The total returns for the year on investments, after fees, were as follows:

General Fund	11% (2018: -5.93%)
Elizabeth Scott-Moore Fund	10.6% (2018: -4.15%)
Peter de Wint Fund	9.7% (2018: -3.51%)

All of the funds have gained value in real terms during the year.

The coronavirus pandemic may have an impact on the valuation of the investments post year end and this is being monitored by the trustees.



**Report of the members of Council (continued)  
For the year ended 31 December 2019**

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**Fund transfers**

As described in note 11, a net transfer from Designated Funds of £4,353 has been made at 31 December 2019.

**Plans for future periods**

During 2020, the Society plans to carry out the following activities:

- to promote Spring and Autumn exhibitions at Bankside Gallery, supported by a full programme of education and outreach activities and workshop days run by Society members for the public across all age ranges (some workshops are free, others are not);
- to continue with the digitisation process of the Society's historic and culturally significant Archive and Diploma Collection, to make it fully accessible online to the public, as well as artists and scholars worldwide;
- to continue detailed planning for the Society's new Whitcomb Street space, with the goal of providing a central archive, gallery and education space where the Society can further fulfil its charitable objective of the promotion of the arts and education; during 2015 the Society entered into a conditional Heads of Terms Agreement for Lease in perpetuity at a peppercorn rent with Hobhouse SA (Luxembourg) in respect of the occupation of the space, currently expected to be completed in 2020;
- actively to seek partnerships with other like-minded National institutions, to promote the Society's remit and charitable aims through exhibitions and events;
- to continue to run a series of lectures and events at which eminent historians, authors and artists will talk to a wide audience about themes and ideas connected to the Society's exhibitions.
- We also work hard at all forms of social media in order to promote the Society and to make sure the public is aware of us and what we are doing.

**Impact of the coronavirus pandemic**

The Council has considered the potential impact of the coronavirus pandemic on the charity. This is likely to have an impact on the charity in 2020 in the following ways:

- The 2020 Spring Exhibition due to take place at Bankside Gallery was cancelled. Works were instead available to view and purchase online.
- Workshops, talks and events were postponed; we hope they may take place in the future
- We are hoping the RWS Autumn Show will take place
- A loss of sales will have an impact on all RWS artists
- The RWS AGM and elections to ARWS were postponed.

**Council's responsibilities in relation to the financial statements**

The charity's trustees are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the charity's trustees to prepare financial statements for each year which give a true and fair view of the state of affairs

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**Royal Watercolour Society**

**Report of the members of Council (continued)  
For the year ended 31 December 2019**

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of the charity, and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures that must be 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.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the Trust deed. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

By Order of the Council



Jill Lemman  
**President**

14 July 2020

**Independent Examiner's report to the trustees of the Royal Watercolour Society  
For the year ended 31 December 2019**

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I report to the trustees on my examination of the accounts of the Royal Watercolour Society (the Charity) for the year ended 31 December 2019.

**Respective Responsibilities of trustees and examiner**

As the charity trustees of the Charity you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the Charity's accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

**Basis of independent examiner's report**

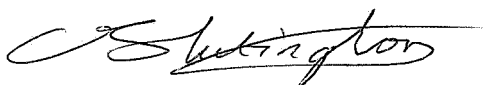
My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

**Independent examiner's statement**

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the Charity as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



**Cara Turtington FCA DChA**  
For and on behalf of  
**Saffery Champness LLP**  
**Chartered Accountants**

17 July 2020

71 Queen Victoria Street  
London  
EC4V 4BE

Royal Watercolour Society

Statement of Financial Activities  
For the year ended 31 December 2019

	Note	Unrestricted General Funds £	Designated Funds £	Restricted Funds £	Expendable Endowment Funds £	Total Funds 2019 £	Total Funds 2018 £
<b>Income and endowments from:</b>							
Donations and legacies	2	26,010	-	77,786	-	103,796	204,895
Charitable activities		12,895	-	-	-	12,895	10,977
Investments		7,404	-	2,582	-	9,986	10,662
<b>Total</b>		<u>46,309</u>	<u>-</u>	<u>80,368</u>	<u>-</u>	<u>126,677</u>	<u>226,534</u>
<b>Expenditure on:</b>							
Raising funds		3,253	-	10,633	-	13,886	2,762
Charitable activities		69,221	8,101	19,595	2,373	99,290	118,643
<b>Total</b>	3	<u>72,474</u>	<u>8,101</u>	<u>30,228</u>	<u>2,373</u>	<u>113,176</u>	<u>121,405</u>
Net income/(expenditure) before (losses)/gains on investments		(26,165)	(8,101)	50,140	(2,373)	13,501	105,129
Net gains/(losses) on investments		8,421	17,409	12,377	4,088	42,295	(29,286)
<b>Net income/(expenditure) for the year</b>		<u>(17,744)</u>	<u>9,308</u>	<u>62,517</u>	<u>1,715</u>	<u>55,796</u>	<u>75,843</u>
Transfers between funds	11	8,659	(4,353)	(2,207)	(2,099)	-	-
<b>Net movement in funds</b>		<u>(9,085)</u>	<u>4,955</u>	<u>60,310</u>	<u>(384)</u>	<u>55,796</u>	<u>75,843</u>
<b>Reconciliation of funds</b>							
Total funds brought forward		38,252	292,813	272,765	46,000	649,830	573,987
<b>Total funds carried forward</b>		<u>29,167</u>	<u>297,768</u>	<u>333,075</u>	<u>45,616</u>	<u>705,626</u>	<u>649,830</u>

The Statement of Financial Activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

The notes on pages 14 to 27 form part of these financial statements.

Royal Watercolour Society

Balance sheet  
As at 31 December 2019

	Note	Unrestricted £	Restricted £	Expendable Endowment £	2019 Total £	2018 Total £
<b>Fixed assets</b>						
Tangible assets	4	81,022	-	-	81,022	84,605
Investments	5	302,453	144,545	45,616	492,614	454,070
		<u>383,475</u>	<u>144,545</u>	<u>45,616</u>	<u>573,636</u>	<u>538,675</u>
<b>Current assets</b>						
Debtors	7	980	9,238	-	10,218	13,512
Cash at bank and in hand		(52,977)	179,292	-	126,315	106,182
		(51,997)	188,530	-	136,533	119,694
<b>Creditors: amounts falling due within one year</b>	8	(4,543)	-	-	(4,543)	(8,539)
<b>Net current (liabilities)/ assets</b>		(56,540)	188,530	-	131,990	111,155
<b>Net assets</b>		<u>326,935</u>	<u>333,075</u>	<u>45,616</u>	<u>705,626</u>	<u>649,830</u>
<b>Charitable funds</b>						
Unrestricted income funds	11	326,935	-	-	326,935	331,065
Restricted income funds	12	-	333,075	-	333,075	272,765
Expendable endowment	13	-	-	45,616	45,616	46,000
<b>Total funds</b>		<u>326,935</u>	<u>333,075</u>	<u>45,616</u>	<u>705,626</u>	<u>649,830</u>

The notes on pages 14 to 27 form part of these financial statements.

These financial statements were approved and signed by a member of the Council and authorised for issue on 14 July 2020.

*Jill Leman*

Jill Leman  
President

Charity No. 258348

**1. Accounting policies**

**1.1 Basis of accounting**

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) second edition issued in October 2019, and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The charity has taken advantage of the provisions available to smaller entities as prescribed in the update to the SORP published in February 2016, including the ability to dispense with the presentation of a cash flow statement.

The charity constitutes a public benefit entity as defined by FRS 102.

Council is of the opinion that there are no material uncertainties about the charity's ability to continue as a going concern. The Council has considered the impact of the coronavirus pandemic and do not believe this has an impact on the going concern status of the charity.

**1.2 Income**

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donations are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Membership income is treated as a donation as the benefits of membership are not of significant monetary value and the fee paid is therefore treated as a donation to the charity's general funds.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**1. Accounting policies** **(continued)**

**1.3 Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is recognised on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings. Costs in respect of future events or exhibitions are charged when the relevant events or exhibitions take place.

Support costs have been allocated between support costs and governance costs. Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. All support costs are allocated to charitable and fundraising activities on the basis of time spent.

**1.4 Tangible fixed assets and depreciation**

Expenditure on improvements, furniture and equipment that exceeds £1,000 is capitalised. Fixed assets are stated at cost less accumulated depreciation. Provision for depreciation of fixed assets held for use by the charity is made at annual rates calculated to spread the cost of each asset over its expected useful life. The depreciation rates currently in use are:

Leasehold property and improvements	- Evenly over the remainder of the lease
Furniture and equipment	- 20% straight line on cost

**1.5 Investments**

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

**1.6 Historic assets**

The Society's Historic Assets (note 4) are not capitalised as the Members of Council consider that the cost of obtaining valuations would outweigh the benefit to users of the financial statements.

**1.7 Taxation**

No tax provision is included in the financial statements on the basis that all income for the registered charity is derived from wholly charitable activities.

**1.8 Fund accounting**

The charity has restricted funds, where the donor has specified that they can only be used on specific projects in the future. All other funds are unrestricted.

Where funds are received via gift or legacy to support the longer term work of the charity these will be treated as an endowment. An endowment will be classed as permanent when the donor specifies that the capital must be maintained in perpetuity and as expendable in all other circumstances.

Notes to the financial statements (continued)  
For the year ended 31 December 2019

1. Accounting policies (continued)  
Fund Accounting (continued)

Designated funds have been nominated by the Council to represent their intentions to fund future projects or to reflect a wish of donors that was not legally binding at the time a gift was made. These funds can be undesignated and applied to any of the charitable activities in the future at the Council's absolute discretion.

2. Donations and legacies

	General Funds	Designated Funds	Restricted Funds	Expendable Endowment	2019 Total	2018 Total
	£	£	£	£	£	£
Membership income	24,590	-	-	-	24,590	22,445
Grants and donations	300	-	77,786	-	78,086	181,130
Election fees	1,120	-	-	-	1,120	1,320
	<u>26,010</u>	<u>-</u>	<u>77,786</u>	<u>-</u>	<u>103,796</u>	<u>204,895</u>

3. Expenditure

	Direct costs	Support costs	Governance costs	2019 Total	2018 Total
	£	£	£	£	£
Raising funds	13,886	-	-	13,886	2,762
Charitable activities:					
Running the RWS	32,892	35,836	6,712	75,440	94,793
Support of Bankside Gallery	23,850	-	-	23,850	23,850
<b>Total charitable activities</b>	<u>56,742</u>	<u>35,836</u>	<u>6,712</u>	<u>99,290</u>	<u>118,643</u>
<b>Total expenditure</b>	<u>70,628</u>	<u>35,836</u>	<u>6,712</u>	<u>113,176</u>	<u>121,405</u>

	2019	2018
	£	£
Net income/(expenditure) is stated after charging:		
Depreciation	3,583	3,713
Examiner's remuneration:		
- independent examination (Saffery Champness LLP)	1,228	1,080
- preparation of accounts (Saffery Champness LLP)	<u>1,320</u>	<u>1,390</u>



Notes to the financial statements (continued)  
For the year ended 31 December 2019

4. Tangible fixed assets

	Equipment £	Leasehold property £	Total £
<b>Cost</b>			
At 1 January 2019 and 31 December 2019	<u>1,106</u>	<u>150,345</u>	<u>151,451</u>
<b>Depreciation</b>			
At 1 January 2019	1,106	65,740	66,846
Charge for the year	<u>-</u>	<u>3,583</u>	<u>3,583</u>
<b>At 31 December 2019</b>	<u>1,106</u>	<u>69,323</u>	<u>70,429</u>
<b>Net book value</b>			
At 31 December 2019	<u>-</u>	<u>81,022</u>	<u>81,022</u>
At 31 December 2018	<u>-</u>	<u>84,605</u>	<u>84,605</u>

The leasehold property relates to the Gallery and Office premises at 48 Hopton Street, which is owned on a 60-year lease from the Corporation of London Borough of Southwark that expires on 27 August 2044. The lease was professionally valued in 2005, by Drivers Jonas, at £425,000.

**Historic Assets**

The Society's Historic Assets are insured for the sum of £2.5m and comprise the following:

- i) *Diploma Collection:*  
The Diploma Collection comprises paintings acquired from Members on their election to the Society; ownership of these is inalienable as the Society's Laws do not permit their disposal.
- ii) *Other Works of Art:*  
Through bequests, the Society has acquired some other works which are mainly held for historical, educational and artistic reasons.

Notes to the financial statements (continued)  
For the year ended 31 December 2019

5. Investments

	2019	2018
	£	£
<b>Market value</b>		
At 1 January 2019	454,070	462,605
Contribution of funds	-	24,000
Funds withdrawn	(9,372)	(10,547)
Investment income	9,468	10,598
Management charges	(3,847)	(3,300)
Realised gains	41,518	11,161
Unrealised gains/(losses)	777	(40,447)
	<hr/>	<hr/>
<b>At 31 December 2019</b>	<b>492,614</b>	<b>454,070</b>
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2019, 27% of investments were held in UK Equity and Bond funds (2018: 34%), 44% in Equity and Bond funds outside the UK (2018: 37%), 22% in Hedge and Alternative Funds (2018: 23%), and the remaining 7% in cash (2018: 6%).

No investments were considered to be material in the context of the market value of the portfolio.

6. Council expenses

No Council member received any emolument or payment for professional or other services during the year, but four Council members (2018: four) received reimbursement of £481.30 (2018: £610.54) for travel, subsistence and telephone expenses incurred during the course of carrying out their duties as charity trustees.

7. Debtors

	2019	2018
	£	£
Trade debtors	287	188
Other debtors	9,238	9,238
Prepayments	693	4,086
	<hr/>	<hr/>
	<b>10,218</b>	<b>13,512</b>
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)  
For the year ended 31 December 2019

8. Creditors

Amounts falling due within one year

	2019 £	2018 £
Trade creditors	-	400
Amount due to Bankside Gallery	-	827
Sundry creditors and accruals	4,543	7,312
	<u>4,543</u>	<u>8,539</u>
Included within sundry creditors and accruals above is deferred income of:		
Balance brought forward	395	45
Income deferred to the following year	-	350
Deferred income released during the year	<u>(395)</u>	<u></u>
<b>Balance carried forward</b>	<u>-</u>	<u>395</u>

9. Contingent Liabilities

The Society is party to an indemnity, jointly with the Royal Society of Painter-Printmakers, to provide Bankside Gallery Limited with continuing financial support and assistance as may be agreed with the company for periods of two years at a time, and to make good any shortfall in the company's annual budget over the same period.

No liability under the indemnity arose for the year ended 31 December 2019 and, based on the financial statements and budgets of Bankside Gallery Limited, Council is of the opinion that it is unlikely that any substantial liability will arise from the indemnity within two years.

10. Financial commitments

In February 2020 the charity signed a lease for a property on Whitcomb Street. The lease has a length of 250 years. The annual commitment is a peppercorn rent. This constitutes a long-term commitment for the charity (2018: no financial commitments).

Royal Watercolour Society

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Unrestricted funds

	President's Fund	Digitisation Fund	David Gluck Fund	Elizabeth Scott Moore Fund	Collections Designated Fund	Mezzanine Dep'n Fund	Diploma Room Dep'n Fund	JE Eddison Fund	Arthur Wise Whitcomb Street Fund	Total Designated Funds	General Funds	Total unrestricted funds
	£	£	£	£	£	£	£	£	£	£		
<b>At 1 January 2019</b>	<b>647</b>	-	<b>99,225</b>	<b>12,205</b>	-	<b>29,974</b>	<b>30,662</b>	-	<b>120,100</b>	<b>292,813</b>	<b>38,252</b>	<b>331,065</b>
Income from donations and charitable activities	-	-	-	-	-	-	-	-	-	-	38,905	<b>38,905</b>
Investment income	-	-	-	-	-	-	-	-	-	-	7,404	<b>7,404</b>
Expenditure on charitable activities	-	-	(1,498)	(87)	(3,079)	(1,154)	(1,283)	-	(1,000)	<b>(8,101)</b>	(72,474)	<b>(80,575)</b>
Transfers between fund	-	-	(4,239)	(1,932)	3,079	-	-	-	(1,261)	<b>(4,353)</b>	8,659	<b>4,306</b>
Investment gains	-	-	5,467	957	-	-	-	-	10,985	<b>17,409</b>	8,421	<b>25,830</b>
<b>At 31 December 2019</b>	<b>647</b>	-	<b>98,955</b>	<b>11,143</b>	-	<b>28,820</b>	<b>29,379</b>	-	<b>128,824</b>	<b>297,768</b>	<b>29,167</b>	<b>326,935</b>

Royal Watercolour Society

Notes to the financial statements (continued)

For the year ended 31 December 2019

Unrestricted Funds (2018 comparative)

	President's Fund	Digitisation Fund	David Gluck Fund	Elizabeth Scott Moore Fund	Collections Designated Fund	Mezzanin e Dep'n Fund	Diploma Room Dep'n Fund	JE Eddison Fund	Arthur Wise Whitcomb Street Fund	Total Designated Funds	General Funds	Total unrestricted funds
	£	£	£	£	£	£	£	£	£	£		
<b>At 1 January 2018</b>	<b>647</b>	<b>9,924</b>	<b>146,967</b>	<b>20,253</b>	<b>2,569</b>	<b>31,128</b>	<b>31,945</b>	<b>19,231</b>	<b>120,100</b>	<b>382,764</b>	-	<b>382,764</b>
Income from donations and charitable activities	-	-	-	-	301	-	-	-	-	<b>301</b>	34,741	<b>35,042</b>
Investment income	-	-	-	5,368	-	-	-	-	-	<b>5,368</b>	2,318	<b>7,686</b>
Expenditure on charitable activities	-	-	(1,000)	(1,680)	(3,775)	(1,154)	(1,283)	-	-	<b>(8,893)</b>	(61,404)	<b>(70,297)</b>
Transfers between fund	-	(9,924)	(46,742)	-	906	-	-	(19,231)	-	<b>(74,991)</b>	74,991	-
Investment gains/(losses)	-	-	-	(11,736)	-	-	-	-	-	<b>(11,736)</b>	(12,394)	<b>(24,130)</b>
<b>At 31 December 2018</b>	<b>647</b>	<b>-</b>	<b>99,225</b>	<b>12,205</b>	<b>-</b>	<b>29,974</b>	<b>29,379</b>	<b>-</b>	<b>120,100</b>	<b>292,813</b>	38,252	<b>331,065</b>

Notes to the financial statements (continued)  
For the year ended 31 December 2019

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11. Unrestricted funds

(continued)

The income and capital bequests received from Mrs Elizabeth Scott Moore, Mr David Gluck and the JE Eddison Trust may be used at the discretion of the Council in accordance with its Reserves Policy as set out in the Report of the Council that introduces these financial statements.

The Elizabeth Scott Moore Fund no longer has a deficit balance but continues to be monitored by Members of Council.

The David Gluck Fund is invested in the Society's General Fund portfolio and not held in a separate and distinct investment portfolio or bank account; investment income is not currently reallocated from the General Fund to the David Gluck Fund.

The President's Fund is designated to be used at the discretion of the President.

The purpose of the Collections Designated Fund varies over time, depending on the Council's priorities. All unrestricted income raised for the purpose of maintaining the Society's collections, together with all related expenditure, is recorded in the Fund in order that an overview of activities in this area can be clearly seen. However, from time to time, Council agrees that certain elements of this expenditure may be financed from other funds, such as the General Fund, or the David Gluck Fund – in these cases, appropriate transfers are made from those funds to provide the agreed subsidy.

The Diploma Room Depreciation Fund was established to record funds used to build the Diploma Collection Storage Room at Bankside Gallery, and depreciation charged in respect of this work. The room is used for the unrestricted purpose of education and learning about the Society's Collections.

The Mezzanine Depreciation Fund was established to record funds used to build the mezzanine floor in the archive room at Bankside Gallery, and depreciation charged in respect of this work.

The Arthur Wise Whitcomb Street Fund was established using part of a legacy received from the estate of Arthur Wise in 2017 and 2018.

Notes to the financial statements (continued)  
For the year ended 31 December 2019

12. Restricted funds

	Peter De Wint Capital Fund £	Peter de Wint General Fund £	Whitcomb Street Fund £	Total £
At 1 January 2019	4,551	134,441	133,773	272,765
Income	-	2,582	77,786	80,368
Expenditure on charitable activities	-	(1,170)	(29,058)	(30,228)
Transfers between funds	-	(2,207)	-	(2,207)
Investment gain/(losses)	-	12,377	-	12,377
<b>At 31 December 2019</b>	<b>4,551</b>	<b>146,023</b>	<b>182,501</b>	<b>333,075</b>

The Peter De Wint Funds are held to provide relief of distress among members (including honorary retired members) of the Royal Watercolour Society.

The Whitcomb Street Fund is for the refurbishment of the new Gallery space.

Restricted funds continued (2018)

	Peter De Wint Capital Fund £	Peter de Wint General Fund £	Whitcomb Street Fund £	Total £
At 1 January 2018	4,551	138,672	-	143,223
Income	-	2,976	180,830	183,806
Expenditure on charitable activities	-	(2,051)	(47,057)	(49,108)
Investment gain/(losses)	-	(5,156)	-	(5,156)
<b>At 31 December 2018</b>	<b>4,551</b>	<b>134,441</b>	<b>133,773</b>	<b>272,765</b>

Notes to the financial statements (continued)  
For the year ended 31 December 2019

13. Expendable endowment

	Total 2019	Total 2018
	£	£
At 1 January 2019	46,000	48,000
Income	-	-
Expenditure on charitable activities	(2,373)	(2,000)
Transfers between funds	(2,099)	-
Investment gains	4,088	-
<b>At 31 December 2019</b>	<b>45,616</b>	<b>46,000</b>

Part of a legacy received from the estate of Arthur Wise has been used to establish a prize fund for watercolour paintings in his memory.

14. Staff

No staff are directly employed by the Society. All administration is provided by consultants, supervised by the Members of Council.

15. Related party transactions

As described in the Report of the Council earlier in these financial statements, the charity has a close working relationship with the Royal Society of Painter-Printmakers and with Bankside Gallery Limited. Bankside Gallery Limited manages Bankside Gallery, 48 Hopton Street, London, on behalf of both the Royal Watercolour Society and the Royal Society of Painter-Printmakers.

The outstanding balances with related parties at the year-end are disclosed in Note 8 above.

The Royal Watercolour Society makes a donation to Bankside Gallery to cover a proportion of the running costs of the gallery, in recognition of Bankside Gallery's role in helping the Society achieve its charitable aims. Donations may also be made if the Society decides to promote any exhibitions beyond its regular annual programme.

A summary of these donations during the year follows:

	2019 £	2018 £
Donation towards running costs of Bankside Gallery	<u>23,850</u>	<u>23,850</u>

This expenditure is included in the Statement of Financial Activities under outgoing resources.

As recorded in Note 4 above, the Royal Watercolour Society owns a lease from the Corporation of London Borough of Southwark on 48 Hopton Street, London. Bankside Gallery is afforded full rent-



**Royal Watercolour Society**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

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free occupation and use of these gallery and office premises in return for granting an indemnity to the Royal Watercolour Society in respect of all outgoing and covenant obligations under the Lease. The value of this donation is not included in these accounts but is estimated to be £38,770 per annum.

Notes to the financial statements (continued)  
For the year ended 31 December 2019

16. Comparative information

The information below is an analysis by fund for the year ended 31 December 2018

	Unrestricted General Funds £	Designated Funds £	Restricted Funds £	Expendable Endowment Funds £	Total Funds 2018 £
<b>Income and endowments from:</b>					
Donations and legacies	24,065	-	180,830	-	204,895
Charitable activities	10,676	301	-	-	10,977
Investments	2,318	5,368	2,976	-	10,662
<b>Total</b>	<b>37,059</b>	<b>5,669</b>	<b>183,806</b>	<b>-</b>	<b>226,534</b>
<b>Expenditure on:</b>					
Raising funds	2,762	-	-	-	2,762
Charitable activities	58,642	8,893	49,108	2,000	118,643
<b>Total</b>	<b>61,404</b>	<b>8,893</b>	<b>49,108</b>	<b>2,000</b>	<b>121,405</b>
Net income/(expenditure) before (losses)/gains on investments	(24,345)	(3,224)	134,698	(2,000)	105,129
Net gains/(losses) on investments	(12,394)	(11,736)	(5,156)	-	(29,286)
<b>Net income/(expenditure) for the year</b>	<b>(36,739)</b>	<b>(14,960)</b>	<b>129,542</b>	<b>(2,000)</b>	<b>75,843</b>
Transfers between funds	74,991	(74,991)	-	-	-
<b>Net movement in funds</b>	<b>38,252</b>	<b>(89,951)</b>	<b>129,542</b>	<b>(2,000)</b>	<b>75,843</b>
<b>Reconciliation of funds</b>					
Total funds brought forward	-	382,764	143,223	48,000	573,987
<b>Total funds carried forward</b>	<b>38,252</b>	<b>292,813</b>	<b>272,765</b>	<b>46,000</b>	<b>649,830</b>

Notes to the financial statements (continued)  
For the year ended 31 December 2019

16. Comparative Information (continued.)

The information below is a columnar balance sheet from the previous period.

	Unrestricted £	Restricted £	Expendable Endowment £	2018 Total £
<b>Fixed assets</b>				
Tangible assets	84,605	-	-	84,605
Investments	<u>269,079</u>	<u>138,991</u>	<u>46,000</u>	<u>454,070</u>
	<u>353,684</u>	<u>138,991</u>	<u>46,000</u>	<u>538,675</u>
<b>Current assets</b>				
Debtors	13,512	-	-	13,512
Cash at bank and in hand	<u>(27,592)</u>	<u>133,774</u>	<u>-</u>	<u>106,182</u>
	(14,080)	133,774	-	119,694
<b>Creditors: amounts falling due within one year</b>	<u>(8,539)</u>	<u>-</u>	<u>-</u>	<u>(8,539)</u>
<b>Net current (liabilities)/ assets</b>	(22,619)	133,774		111,155
	<u>331,065</u>	<u>272,765</u>	<u>46,000</u>	<u>649,830</u>
<b>Net assets</b>	<u>331,065</u>	<u>272,765</u>	<u>46,000</u>	<u>649,830</u>
<b>Charitable funds</b>				
Unrestricted income funds	331,065	-	-	331,065
Restricted income funds	-	272,765	-	272,765
Expendable endowment	<u>-</u>	<u>-</u>	<u>46,000</u>	<u>46,000</u>
<b>Total funds</b>	<u>331,065</u>	<u>272,765</u>	<u>46,000</u>	<u>649,830</u>

Royal Watercolour Society

General fund income and expenditure account  
For the year ended 31 December 2019

	2019		2018	
	£	£	£	£
Income for the year		46,309		37,059
Expenditure for the year		(72,474)		(61,405)
<b>Net surplus/(deficit) before transfers and investment gains</b>		(26,165)		(24,346)
<b>Fund transfers</b>				
<i>Archive costs borne by General Fund:</i>				
Donation for archivist staff cost	-		-	
Donation for archivist office cost	-		-	
Collection insurance	-		-	
Removal, travel and sundry costs	-		-	
<i>Transfer to Collections</i>	(3,079)		-	
<i>Transfer to General Fund</i>	11,738		-	
<i>Release of Digitisation fund</i>	-		9,924	
<i>Release of JE Eddison fund</i>	-		19,231	
	8,659		29,155	
<b>Subsidies transferred from David Gluck Fund</b>	-		46,742	
		(17,506)		75,897
Investment gain/(losses)		8,421		(12,394)
<b>General fund balances carried forward</b>		29,167		39,157

This page does not form part of the statutory financial statements.

Royal Watercolour Society

General fund income and expenditure account  
For the year ended 31 December 2019

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General fund income

	2019		2018	
	£	£	£	£
<b>Income from generated funds</b>				
Patron scheme	300		300	
Grants and donations	-		-	
Membership income	24,590		22,445	
Election fees	1,120		1,320	
Bank interest receivable	124		64	
Investment income	7,280		2,254	
				26,383
<b>Income from charitable activities</b>				
Education course income	7,283		7,418	
Member and other events	1,184		-	
Miscellaneous income	4,428		3,258	
		12,895		10,676
<b>Total income</b>		<b>46,309</b>		<b>37,059</b>

This page does not form part of the statutory financial statements.

Royal Watercolour Society

General fund income and expenditure account  
For the year ended 31 December 2019

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General fund expenditure

	2019		2018	
	£	£	£	£
<b>Cost of generating funds</b>				
Website development and maintenance	1,440		960	
Publicity (exhibitions and courses)	1,721		902	
Fundraising events	-			
Donation for newsletter costs	600		900	
		3,253		2,762
<b>Charitable activities</b>				
Exhibitions expenditure	2,193		1,290	
Education course expenditure	4,096		4,439	
Awards: RWS Open prizes	750		750	
Donation to Bankside Gallery	23,850		23,850	
		30,889		30,329
<b>Support and governance costs</b>				
Property	100		100	
Administration	25,351		19,787	
Independent examination and accounts	2,548		2,470	
Other professional costs	2,542		2,610	
Finance costs	1,076		1,285	
Miscellaneous	5,570		786	
Depreciation	1,145		1,276	
		37,824		28,314
<b>Total expenditure</b>		<b>72,474</b>		<b>61,405</b>

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