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Charity No. 258348 (England and Wales)

**Royal Watercolour Society**

**Trustees' report and financial statements  
for the year ended 31 December 2021**

**Royal Watercolour Society**

**Reference and administrative details  
For the year ended 31 December 2021**

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## Royal Watercolour Society

### Reference and administrative details For the year ended 31 December 2021

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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 (Junior Vice President) James Faure Walker (Hon Curator) Liz Butler Chloe Fremantle David Hamilton John Crossley Jane Lewis Lisa Traxler Paul Regan John Duffin
<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

## **Introduction**

The Council is pleased to present the annual report and financial statements of the Royal Watercolour Society for the year ended 31 December 2021. 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 previously employed by Bankside Gallery, but now employed by the RWS.

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 2021**

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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. 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. Extensive fundraising has been undertaken in order to support the ongoing costs of the new space. 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.

In the light of taking on the additional venue, the Royal Watercolour Society has employed one member of staff to support the Council in delivering Society activities. The Society also continues to work closely with Bankside Gallery staff in the 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;

**Report of the members of Council (continued)  
For the year ended 31 December 2021**

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**Reserves policy**

**(continued)**

- agreed support for charitable activities carried out by Bankside Gallery on behalf of the Society.

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

At 31 December 2021, the Society held total reserves of £974,069 (2020: £809,551), comprising unrestricted reserves of £679,167 (2020: £507,027), restricted reserves of £256,090 (2020: £264,569) and an expendable endowment of £38,812 (2020: £37,955). 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. During the year a transfer out of the restricted fund took place in relation to capital works to improve the gallery building. This has been capitalised as a tangible fixed asset held in a designated fund and will be depreciated over the life of the lease.

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 through 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.

During the year the leasehold improvement works on the Whitcomb Street property were capitalised as a tangible fixed asset and are held in a designated fund.

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:

**Report of the members of Council (continued)  
For the year ended 31 December 2021**

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- 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;
- 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 2021, 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 – due to the impacts of the pandemic many of these activities were forced to be cancelled or held online.
- to continue to plan for the Society's new Whitcomb Street space to provide a central archive, gallery and education space where the Society can further fulfil its charitable objective of the

## Royal Watercolour Society

### Report of the members of Council (continued) For the year ended 31 December 2021

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promotion of the arts and education – this project continues and is expected to be completed in 2023. Fundraising for this project is ongoing.

- 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. The Society continues to build on its partnership with Cass Art who have supported the RWS Open since 2017.
- 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. Due to the impacts of the pandemic, many of these events were forced to be cancelled or held online.

### 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 12 and the Balance sheet on page 13.

During the year under review, total income amounted to £228,316 (2020: £200,925).

The cost of raising funds in the year was £21,113 (2020: £17,137), the total costs of charitable activities was £137,830 (2020: £118,114), of which support costs and governance costs (see note 3) amounted to £57,536 (2019: £41,255) and £5,092 (2020: £4,655) respectively.

Before investment movements, the Society made a net surplus from activities of £90,485 (2020: net surplus £82,181). After investment gains of £74,033 (2020: gains £21,744), the Society's Total Funds showed net surplus for the year of £164,518 (2020: net surplus: £103,925).

#### 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 coronavirus pandemic and the associated market volatility has had an impact on investment performance.

#### Fund transfers

As described in note 12, a net transfer from restricted funds to a designated fixed asset fund of £6,300 (2020: 163,339) has been made during the year. This relates to capital works on Whitcomb Street. The funds for this project were raised in the Whitcomb Street Restricted Fund. The capital works have been capitalised as an unrestricted tangible fixed asset held in a designated fund.

#### Plans for future periods

During 2022, the Society plans to carry out the following activities:



**Report of the members of Council (continued)  
For the year ended 31 December 2021**

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- to promote exhibitions at Bankside Gallery and Whitcomb Street, supported by a programme of education and outreach activities for members of the public across all ages.
- to successfully deliver a ‘soft opening’ of the new RWS Gallery at Whitcomb Street, featuring exhibitions by RWS Members and associated events including talks, workshops and demonstrations.
- to organise and carry out a fundraising auction of small works on paper
- to actively 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.
- to promote the Society using forms of social media to make sure the public is aware of the RWS and what it does.

**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 2021 in the following ways:

- The 2021 Spring Exhibition due to take place at Bankside Gallery was cancelled. Works were instead available to view and purchase online.
- The RWS Open exhibition was cancelled. Potential exhibitors were informed via email and the website that the RWS Open would be expected to open again for entries in Autumn 2021, with an exhibition of selected works taking place in Spring 2022.
- Workshops, talks and events were postponed; we hope they may take place in the future
- A loss of sales will have an impact on all RWS artists
- The RWS AGM happened online in December 2021
- The RWS Elections happened online in 2021

**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 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.
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**Royal Watercolour Society**

**Report of the members of Council (continued)  
For the year ended 31 December 2021**

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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**

5th October 2022

**Independent Examiner's report to the trustees of the Royal Watercolour Society  
For the year ended 31 December 2021**

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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 2021.

**Respective Responsibilities of trustees and examiner**

As the 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**

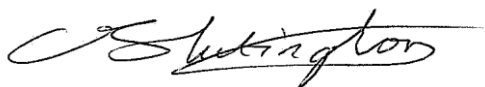
My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or 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 October 2022

71 Queen Victoria Street

London

EC4V 4BE

## Royal Watercolour Society

### Statement of Financial Activities For the year ended 31 December 2021

	Note	Unrestricted General Funds £	Designated Funds £	Restricted Funds £	Expendable Endowment Funds £	Total Funds 2021 £	Total Funds 2020 £
<b>Income and endowments from:</b>							
Donations and legacies	2	134,405	-	6,250	591	141,246	132,509
Charitable activities	2a	84,112	-	-	-	84,112	59,948
Investments		2,087	-	871	-	2,958	7,838
<b>Total</b>		<u>220,603</u>	<u>-</u>	<u>7,121</u>	<u>591</u>	<u>228,316</u>	<u>200,295</u>
<b>Expenditure on:</b>							
Raising funds		18,029	-	2,440	644	21,113	17,137
Charitable activities		90,923	5,567	18,227	2,000	116,717	100,977
<b>Total</b>	3	<u>108,952</u>	<u>5,567</u>	<u>20,667</u>	<u>2,644</u>	<u>137,830</u>	<u>118,114</u>
Net income/(expenditure) before (losses)/gains on investments		111,651	(5,567)	(13,546)	(2,053)	90,485	82,181
Net gains on investments		41,005	18,751	11,367	2,910	74,033	21,744
<b>Net income/(expenditure) for the year</b>		152,656	13,184	(2,179)	857	164,518	103,925
Transfers between funds	11	(3,129)	9,429	(6,300)	-	-	-
<b>Net movement in funds</b>		149,527	22,613	(8,479)	857	164,518	103,925
<b>Reconciliation of funds</b>							
Total funds brought forward		49,357	457,670	264,569	37,955	809,551	705,626
<b>Total funds carried forward</b>		<u>198,884</u>	<u>480,283</u>	<u>256,090</u>	<u>38,812</u>	<u>974,069</u>	<u>809,551</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 28 form part of these financial statements.

Royal Watercolour Society

Balance sheet  
As at 31 December 2021

	Note	Unrestricted £	Restricted £	Expendable Endowment £	2021 Total £	2020 Total £
<b>Fixed assets</b>						
Tangible assets	4	243,787	-	-	243,787	240,924
Investments	5	1,042,737	162,822	40,039	1,245,598	1,170,462
		<u>1,286,523</u>	<u>162,822</u>	<u>40,039</u>	<u>1,489,384</u>	<u>1,411,386</u>
<b>Current assets</b>						
Debtors	7	9,045	-	-	9,045	7,444
Cash at bank and in hand		(61,233)	93,268	(1,227)	30,808	40,284
		<u>(52,188)</u>	<u>93,269</u>	<u>(1,227)</u>	<u>39,853</u>	<u>47,728</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(72,161)</u>	<u>-</u>	<u>-</u>	<u>(72,161)</u>	<u>(99,588)</u>
<b>Net current (liabilities)/ assets</b>		<u>(124,349)</u>	<u>93,268</u>	<u>(1,227)</u>	<u>(32,308)</u>	<u>(51,860)</u>
Creditors: amounts due after more than one year	9	(483,007)	-	-	(483,007)	(549,975)
		<u>679,167</u>	<u>256,090</u>	<u>38,812</u>	<u>974,069</u>	<u>809,551</u>
<b>Net assets</b>		<u>679,167</u>	<u>256,090</u>	<u>38,812</u>	<u>974,069</u>	<u>809,551</u>
<b>Charitable funds</b>						
Unrestricted income funds	11	679,167			679,167	507,027
Restricted income funds	12		256,090		256,090	264,569
Expendable endowment	13			38,812	38,812	37,955
		<u>679,167</u>	<u>256,090</u>	<u>38,812</u>	<u>974,069</u>	<u>809,551</u>
<b>Total funds</b>		<u>679,167</u>	<u>256,090</u>	<u>38,812</u>	<u>974,069</u>	<u>809,551</u>

The notes on pages 14 to 28 form part of these financial statements.

These financial statements were approved and signed by a member of the Council and authorised for issue on 5th October 2022.

*Jim Leman*

Jill Leman  
President  
Charity No. 258348

**Notes to the financial statements**  
**For the year ended 31 December 2021**

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**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.

Advantage has been taken of the exemption for charities with income less than £500,000 from preparing 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 2021**

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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 2021

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 £	2021 Total £	2020 Total £
Membership income	24,375	-	-	-	24,375	24,440
Legacies received	110,000	-	-	-	110,000	-
Grants and donations	30	-	6,841	-	6,871	107,429
Election fees	-	-	-	-	-	640
	<u>134,405</u>	<u>-</u>	<u>6,841</u>	<u>-</u>	<u>141,246</u>	<u>132,509</u>

Donations and legacies

	General Funds £	Designated Funds £	Restricted Funds £	Expendable Endowment £	2020 Total £
Membership income	24,440	-	-	-	24,440
Grants and donations	2,040	-	105,389	-	107,429
Election fees	<u>640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640</u>
	<u>27,120</u>	<u>-</u>	<u>105,389</u>	<u>-</u>	<u>132,509</u>

2a Charitable activities – Property income

	2021 £	2020 £
Property income	83,037	58,597
	<u>83,037</u>	<u>58,597</u>



Notes to the financial statements (continued)  
For the year ended 31 December 2021

3. Expenditure

	Direct costs £	Support costs £	Governance costs £	2021 Total £	2020 Total £
Raising funds	21,113	-	-	21,113	17,137
Charitable activities:					
Running the RWS	12,912	57,536	5,092	75,540	64,030
Support of Bankside Gallery	23,850	-	-	23,850	22,854
Whitcomb St development	17,327	-	-	17,327	14,093
<b>Total charitable activities</b>	<b>54,089</b>	<b>57,536</b>	<b>5,092</b>	<b>116,717</b>	<b>100,977</b>
<b>Total expenditure</b>	<b>75,202</b>	<b>57,536</b>	<b>5,092</b>	<b>137,830</b>	<b>118,114</b>

Expenditure 2020

	Direct costs £	Support costs £	Governance costs £	2020 Total £
Raising funds	17,137	-	-	17,137
Charitable activities:				
Running the RWS	18,120	41,255	4,655	64,030
Support of Bankside Gallery	22,854	-	-	22,854
Whitcomb St development	14,093			14,093
<b>Total charitable activities</b>	<b>55,067</b>	<b>41,255</b>	<b>4,655</b>	<b>100,977</b>
<b>Total expenditure</b>	<b>72,204</b>	<b>41,255</b>	<b>4,655</b>	<b>118,114</b>

	2021 £	2020 £
Net income/(expenditure) is stated after charging:		
Depreciation	3,437	3,437
Examiner's remuneration:		
- independent examination (Saffery Champness LLP)	1,348	1,200
- preparation of accounts and advice (Saffery Champness LLP)	3,634	1,720

Notes to the financial statements (continued)  
For the year ended 31 December 2021

4. Tangible fixed assets

	Equipment	Leasehold property £	Leasehold improvements £	Total £
<b>Cost</b>				
At 1 January 2021	1,106	150,345	163,339	314,790
Additions	-	-	6,300	6,300
At 31 December 2021	<u>1,106</u>	<u>150,345</u>	<u>169,639</u>	<u>321,090</u>
<b>Depreciation</b>				
At 1 January 2021	1,106	72,760	-	73,866
Charge for the year	-	3,437	-	3,437
<b>At 31 December 2021</b>	<u>1,106</u>	<u>76,198</u>	<u>-</u>	<u>77,304</u>
<b>Net book value</b>				
At 31 December 2021	-	74,148	163,639	243,787
At 1 January 2021	-	87,585	163,339	240,924

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.

Leasehold improvement additions relate to capital works under construction on the Whitcomb Street property.

**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 2021

5. Investments

	2021	2020
	£	£
<b>Market value</b>		
At 1 January 2021	1,170,889	578,008
Contribution of funds	60,000	836,921
Funds withdrawn	(62,464)	(258,789)
Income less fees	(265)	(7,452)
Realised and unrealised gains	77,438	22,201
	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>1,245,598</b>	<b>1,170,889</b>
	<hr/>	<hr/>

At 31 December 2021, 12% of investments were held in UK Equity and Bond funds (2020: 19%), 52 % in Equity and Bond funds outside the UK (2020: 46%), 21% in Hedge and Alternative Funds (2020: 15%), and the remaining 15% in cash (2020: 20%).

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 one Council members (2020: four) received reimbursement of £517 (2020: £481) for travel, subsistence and telephone expenses incurred during the course of carrying out their duties as charity trustees.

7. Debtors

	2021	2020
	£	£
Trade debtors	148	325
Other debtors	10	-
Amount due from Bankside Gallery	-	600
Prepayments	8,887	6,519
	<hr/>	<hr/>
	<b>9,045</b>	<b>7,444</b>
	<hr/>	<hr/>

Notes to the financial statements (continued)  
For the year ended 31 December 2021

<b>8. Creditors</b>			
Amounts falling due within one year		<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
Trade creditors		2,757	33,225
Amount due to Bankside Gallery		-	-
Sundry creditors and accruals		7,054	5,256
Deferred income		<u>62,350</u>	<u>61,108</u>
		<u>72,161</u>	<u>99,589</u>
<b>9. Creditors</b>			
Amounts falling due after more than one year		<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
Deferred income dues after more than one year		<u>483,007</u>	<u>549,975</u>
		<u>483,007</u>	<u>549,975</u>
<b>Deferred Income</b>			
Balance brought forward		611,083	-
Income deferred to the following year		-	611,083
Deferred income released during the year		<u>(66,968)</u>	<u>-</u>
<b>Balance carried forward</b>		544,115	611,083
<b>The deferred income is expected to be recognised as follows</b>			
Within 1 year		61,108	61,108
Within 1 to 2 years		61,108	61,108
Within 2 to 5 years		183,324	183,324
After more than 5 years		<u>238,575</u>	<u>305,543</u>
		<u>544,115</u>	<u>611,083</u>

Deferred income relates to rental income received in advance. Rental income was received for a period of 10 years in advance for the Whitcomb Street property, with the lease commencing on 13 February 2020.

**10. 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 2021 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.

**11. 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.

Royal Watercolour Society

Notes to the financial statements (continued)

For the year ended 31 December 2021

12. Unrestricted funds

	President's Fund	David Gluck Fund	Elizabeth Scott Moore Fund	Collections Designated Fund	Mezzanine Dep'n Fund	Diploma Room Dep'n Fund	Whitcomb Street Refurbishment Fund	Arthur Wise Whitcomb Street Fund	Total Designated Funds	General Funds	Total unrestricted funds
	£	£	£	£	£	£	£	£	£	£	£
<b>At 1 January 2021</b>	<b>647</b>	<b>97,955</b>	<b>11,143</b>	-	<b>27,666</b>	<b>28,096</b>	<b>163,339</b>	<b>128,824</b>	<b>457,670</b>	<b>49,357</b>	<b>507,027</b>
Income from donations and charitable activities	-	-	-	-	-	-	-	-	-	220,604	<b>220,384</b>
Investment income	-	-	-	-	-	-	-	-	-	-	-
Expenditure on charitable activities	-	-	-	(3,129)	(1,154)	(1,283)	-	-	<b>(5,567)</b>	(108,952)	<b>(108,952)</b>
Transfers between fund	-	-	-	3,129	-	-	6,300	-	<b>9,429</b>	(3,129)	<b>(3,129)</b>
Investment gains	-	7,968	906	-	-	-	-	9,877	<b>18,751</b>	41,005	<b>59,756</b>
<b>At 31 December 2021</b>	<b>647</b>	<b>105,923</b>	<b>12,049</b>	<b>(0)</b>	<b>26,512</b>	<b>26,813</b>	<b>169,639</b>	<b>138,701</b>	<b>480,283</b>	<b>198,884</b>	<b>678,947</b>

Royal Watercolour Society

Notes to the financial statements (continued)

For the year ended 31 December 2021

Unrestricted Funds (2020 comparative)

	President's Fund	David Gluck Fund	Elizabeth Scott Moore Fund	Collections Designated Fund	Mezzanine Dep'n Fund	Diploma Room Dep'n Fund	Whitcomb Street Refurbishment Fund	Arthur Wise Whitcomb Street Fund	Total Designated Funds	General Funds	Total unrestricted funds
	£	£	£	£	£	£	£	£	£		
<b>At 1 January 2020</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>
Income from donations and charitable activities	-	-	-	-	-	-	-	-	-	87,068	<b>87,068</b>
Investment income	-	-	-	-	-	-	-	-	-	6,231	<b>6,231</b>
Expenditure on charitable activities	-	(1,000)	-	(3,079)	(1,154)	(1,283)	-	-	<b>(6,516)</b>	(80,251)	<b>(86,768)</b>
Transfers between fund	-	-	-	3,079	-	-	163,339	-	<b>166,418</b>	(3,079)	<b>163,339</b>
Investment gains	-	-	-	-	-	-	-	-	-	10,221	<b>10,221</b>
<b>At 31 December 2020</b>	<b>647</b>	<b>97,955</b>	<b>11,143</b>	-	<b>27,666</b>	<b>28,096</b>	<b>163,339</b>	<b>128,824</b>	<b>457,670</b>	<b>49,357</b>	<b>507,027</b>

Notes to the financial statements (continued)  
For the year ended 31 December 2021

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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.

The Whitcomb Street Asset Fund relates to capital improvements at the Whitcomb Street property. These will be depreciated over the lift of the lease.



Notes to the financial statements (continued)  
For the year ended 31 December 2021

12. Restricted funds

	Peter De Wint Capital Fund	Peter de Wint General Fund	Whitcomb Street Fund	Total
	£	£	£	£
At 1 January 2021	4,551	150,062	109,956	264,569
Income	-	871	6,250	7,121
Expenditure on charitable activities	-	(2,440)	(18,227)	(20,667)
Transfers between funds	-	-	(6,300)	(6,300)
Investment gain/(losses)	-	11,367	-	11,367
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>4,551</b>	<b>159,860</b>	<b>91,679</b>	<b>256,090</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 raising funds for the refurbishment of the new Gallery space. During the year a transfer out to a designated fund occurred to capitalise additional leasehold improvements which took place during the year.

Restricted funds (2020)

	Peter De Wint Capital Fund	Peter de Wint General Fund	Whitcomb Street Fund	Total
	£	£	£	£
At 1 January 2020	4,551	146,023	182,501	333,075
Income	-	1,607	105,389	106,996
Expenditure on charitable activities	-	(5,978)	(15,867)	(21,845)
Transfers between funds	-	-	(163,339)	(163,339)
Investment gain/(losses)	-	8,410	1,272	9,682
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>4,551</b>	<b>150,062</b>	<b>109,956</b>	<b>264,569</b>

## Royal Watercolour Society

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 13. Expendable endowment

	Total 2021	Total 2020
	£	£
At 1 January 2021	37,955	45,616
Income	591	-
Expenditure on charitable activities	(2,644)	(9,501)
Transfers between funds	-	-
Investment gains	2,910	1,840
<b>At 31 December 2021</b>	<b>38,812</b>	<b>37,955</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

One member of staff is directly employed by the Society who is supervised by Members of the Council and the President. The staff member was not paid more than £60,000 in the current or preceding financial year.

#### 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 Notes 7 and 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:

	2021 £	2020 £
Donation towards running costs of Bankside Gallery	<u>23,850</u>	<u>22,854</u>

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

## Royal Watercolour Society

### Notes to the financial statements (continued) For the year ended 31 December 2021

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-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.

#### 16. Comparative information

The information below is an analysis by fund for the year ended 31 December 2020

	Unrestricted General Funds £	Designated Funds £	Restricted Funds £	Expendable Endowment Funds £	Total Funds 2020 £
<b>Income and endowments from:</b>					
Donations and legacies	27,120	-	105,389	-	132,509
Charitable activities	59,948	-	-	-	59,948
Investments	6,231	-	1,607	-	7,838
<b>Total</b>	<b>93,299</b>	<b>-</b>	<b>106,996</b>	<b>-</b>	<b>200,295</b>
<b>Expenditure on:</b>					
Raising funds	3,084	-	6,552	7,501	17,137
Charitable activities	77,168	6,516	15,293	2,000	100,977
<b>Total</b>	<b>80,252</b>	<b>6,516</b>	<b>21,845</b>	<b>9,501</b>	<b>118,114</b>
Net income/(expenditure) before (losses)/gains on investments	13,048	(6,516)	85,151	(9,501)	82,181
Net gains/(losses) on investments	10,221	-	9,682	1,840	21,744
<b>Net income/(expenditure) for the year</b>	<b>23,269</b>	<b>(6,516)</b>	<b>94,833</b>	<b>(7,661)</b>	<b>103,925</b>
Transfers between funds	(3,079)	166,418	(163,339)	-	-
<b>Net movement in funds</b>	<b>20,190</b>	<b>159,902</b>	<b>(68,506)</b>	<b>(7,661)</b>	<b>103,925</b>
<b>Reconciliation of funds</b>					
Total funds brought forward	29,167	297,768	333,075	45,616	705,626
<b>Total funds carried forward</b>	<b>49,357</b>	<b>457,670</b>	<b>264,569</b>	<b>37,955</b>	<b>809,551</b>

Notes to the financial statements (continued)  
For the year ended 31 December 2021

16. Comparative Information (continued.)

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

	Unrestricted	Restricted	Expendable Endowment	2020 Total
	£	£	£	£
<b>Fixed assets</b>				
Tangible assets	240,924	-	-	240,924
Investments	867,938	264,569	37,955	1,170,462
	<u>1,108,862</u>	<u>264,569</u>	<u>37,955</u>	<u>1,411,386</u>
<b>Current assets</b>				
Debtors	7,444	-	-	7,444
Cash at bank and in hand	40,284	-	-	40,284
	<u>47,728</u>	<u>-</u>	<u>-</u>	<u>47,728</u>
<b>Creditors: amounts falling due within one year</b>	<u>(99,588)</u>	<u>-</u>	<u>-</u>	<u>(99,588)</u>
<b>Net current (liabilities)/ assets</b>	<u>(51,860)</u>	<u>-</u>	<u>-</u>	<u>(51,860)</u>
<b>Net assets</b>	<u>507,027</u>	<u>264,569</u>	<u>37,955</u>	<u>809,551</u>
<b>Charitable funds</b>				
Unrestricted income funds	507,027	-	-	507,027
Restricted income funds	-	264,569	-	264,569
Expendable endowment	-	-	37,955	37,955
	<u>507,027</u>	<u>264,569</u>	<u>37,955</u>	<u>809,551</u>
<b>Total funds</b>	<u>507,027</u>	<u>264,569</u>	<u>37,955</u>	<u>809,551</u>



