

THE FRIENDS OF THE ROYAL ACADEMY
(A Company Limited by Guarantee)

Registered Charity No. 272926
Registered Company No. 01291535

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2016

The Friends of the Royal Academy

Reference and Administrative Information

Patron

HRH The Duke of Edinburgh KG KT (1977 - 2016)

HRH The Duchess of Cornwall (2016 -)

Trustees

Denise Wilson (Chairperson)

Nicola Bannister

Diana Carney

Clive Humby

Ben Joseph (Treasurer - appointed 13 June 2016)

Geraldine Kelly (Treasurer - resigned 13 June 2016)

Prof. Chris Orr RA

Rebecca Salter RA (appointed 1 September 2015)

Greg Sanderson

Edwina Sassoon

Charles Saumarez Smith

Mark Seaman (resigned 13 June 2016)

Company Secretary

Jonathon Cornaby

Auditors

Kingston Smith LLP

Devonshire House

60 Goswell Road

London EC1M 7AD

Bankers

Lloyds Bank Plc

4th Floor

25 Gresham Street

London EC2V 7HN

Solicitors

Jones Day

21 Tudor Street

London EC4Y 0DJ

Withers LLP

16 Old Bailey

London EC4M 7EG

Registered Office

Burlington House

Piccadilly

London W1J 0BD

Registered Charity Number

272926

Registered Company Number

01291535

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

CONSTITUTION AND CHARITABLE OBJECTIVES

Constitution

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

Governance and management

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

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

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

Remuneration of key management personnel

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

Relationship with the Royal Academy

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

Objectives and activities

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

Aims for the coming year

The aims and objectives for the 2016/17 financial year are as follows:

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

The Charity will seek to achieve these objectives through the continuation of a successful programme of Friends events; campaigns to recruit new Friends; measures to retain Friends through continued improvement of the visitor experience; a review of the Friends offering and pricing; and by actively engaging its loyal Friends to support the Royal Academy's ambitions for 2018, through plans for a multi-faceted capital fundraising appeal.

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

FINANCIAL REVIEW, ACHIEVEMENTS, PERFORMANCE AND PUBLIC BENEFIT

Financial review

During the year, the Charity received total income of £11,049,323 (2015: £9,626,681), including subscription income and Gift Aid of £10,969,201 (2015: £9,609,241) from a total membership of 100,146 (2015: 84,576) Friends.

After expenditure of £1,450,947 (2015: £1,271,622), net income amounted to £9,598,376 (2015: £8,355,059).

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

The net movement of funds for the year was £nil (2015: £nil). The Board does not recommend any transfer to or from reserves (2015: £nil).

Achievements and performance

The net income for the year before donations to the Royal Academy was £9,598,376 from a total membership of 100,146 Friends, with the annual renewal rate at around 89%.

In making a donation of £9,598,376 to the Royal Academy, the Charity has significantly contributed to the continuing development of the Royal Academy's activities, including the presentation of a world class exhibition programme, the post graduate education of artists in the Royal Academy Schools and the preservation and maintenance of the Royal Academy's historic buildings and collections.

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

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

- Face to face campaigns for the recruitment of new Friends from visitors to the exhibition programme
- Providing additional activities designed to enhance the experience of members including events within the Royal Academy and external guided tours.

Public benefit and impact

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

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

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

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

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

Public benefit and impact (continued)

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

Related party transactions

None of the trustees receive remuneration or other benefit from their work with the Charity. Transactions with related parties are disclosed in note 16 to the financial statements.

Reserves policy

The Board has reviewed the reserves of the Charity, including its free reserves (those that are not restricted, designated or invested in fixed assets). Having regard to the relationship with the Royal Academy and anticipated future cash flows, the current practice is to pass the entire annual surplus to the Royal Academy and not to accumulate reserves. The Board considers that the actual level of free reserves at 31 August 2016 of £115,734 (2015: £115,734) is appropriate.

Risks

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

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

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

Statement of trustees' responsibilities

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

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of trustees' responsibilities (continued)

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

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

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

Auditors

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

This report was approved by the trustees on 6th December 2016 and signed on its behalf, by:



**Denise Wilson
Chairperson**

Date: 6th December 2016

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

We have audited the financial statements of The Friends of the Royal Academy for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities set out on pages 4 and 5 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

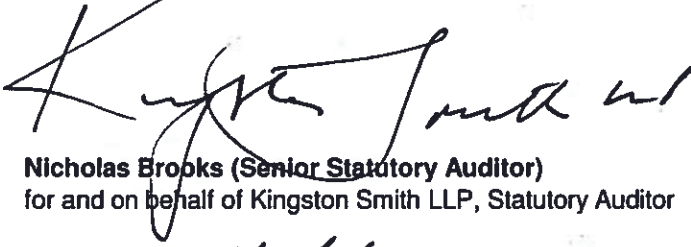
In our opinion the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

Devonshire House
Road
EC1M 7AD

Date:

14/12/16

**The Friends of the Royal Academy
Statement of Financial Activities
For the year ended 31 August 2016**

	Note	Total unrestricted funds 2016 £	Total unrestricted funds 2015 £
Income from:			
Donations		5,979	7,270
Charitable activities	4	10,969,201	9,609,241
Other income		<u>74,143</u>	<u>10,170</u>
Total		<u>11,049,323</u>	<u>9,626,681</u>
Expenditure on:			
Charitable activities			
Supporting members	6	(1,450,947)	(1,271,622)
Donation to The Royal Academy of Arts		<u>(9,598,376)</u>	<u>(8,355,059)</u>
Total		<u>(11,049,323)</u>	<u>(9,626,681)</u>
Net income / (expenditure)		-	-
Total funds brought forward		<u>115,734</u>	<u>115,734</u>
Total funds carried forward		<u>115,734</u>	<u>115,734</u>

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


The notes on pages 11 to 17 form part of these financial statements.

**The Friends of the Royal Academy
Balance Sheet at 31 August 2016**

	Note	2016 £	2015 £
Fixed assets	10	<u>2,016</u>	<u>9,453</u>
Current assets			
Debtors	11	328,201	464,610
Cash at bank and in hand		<u>35,213</u>	<u>44,838</u>
		363,414	509,448
Creditors - amounts falling due within one year	12	<u>(249,696)</u>	<u>(403,167)</u>
Net current assets		<u>113,718</u>	<u>106,281</u>
Total assets less total liabilities		<u>115,734</u>	<u>115,734</u>
 Represented by:			
Unrestricted funds			
Other unrestricted funds		<u>115,734</u>	<u>115,734</u>
Total funds		<u>115,734</u>	<u>115,734</u>

The notes on pages 11 to 17 form part of these financial statements.

Approved and authorised for issue by the Board on 6th December 2016



 Denise Wilson
 Trustee

Company No: 01291 535

**The Friends of the Royal Academy
Cash Flow Statement
For the year ended 31 August 2016**

	Note	2016 £	2015 £
Net cash from operating activities	13	<u>(9,625)</u>	<u>(5,441)</u>
Net decrease in cash and cash equivalents		(9,625)	(5,441)
Cash and cash equivalents at the beginning of the year		<u>44,838</u>	<u>50,279</u>
Cash and cash equivalents at the end of the year		<u>35,213</u>	<u>44,838</u>

The Friends of the Royal Academy Notes to the Financial Statements For the year ended 31 August 2016

1 General information

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

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

2 Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention and in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Charities Act 2011. Details of the transition to FRS 102 are disclosed in note 17.

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

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

a. Basis of preparation

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

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

b. Pension costs

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

c. Going concern

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

d. Incoming resources

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

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

Donations are accounted for when they are received. If specifically in connection with a future event, they are deferred.

The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)

2 Summary of significant accounting policies (continued)

e. Legacies

Legacies are accounted for as incoming resources either upon receipt or where the receipt of the legacy is probable.

Receipt is probable when:

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

f. Resources expended

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

g. Charitable activities

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

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

h. Tangible fixed assets

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

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

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year.

i. Financial instruments

i. Cash and cash equivalents

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

ii. Debtors and creditors

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

The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)

3 Critical accounting judgments and estimation uncertainty

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

a. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. These are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying value of assets and note 2.h for the useful economic lives.

b. Impairment of debtors

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

4 Income from charitable activities	2016	2015
	£	£
Subscription income	9,400,762	8,153,103
Gift Aid	1,568,439	1,456,138
	<hr/>	<hr/>
Total	10,969,201	9,609,241
	<hr/>	<hr/>

Subscription income relates to annual membership fees paid to become a "Friend" of the Charity. Total membership in 2016 was 100,146 Friends (2015: 84,576 Friends).

5 Role of volunteers

Like all charities, The Friends of the Royal Academy, is reliant on a team of volunteers of which the Charity has 62 (2015: 55).

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

6 Analysis of expenditure on charitable activities	2016	2015
	£	£
Staff costs (see note 7)	409,599	233,400
Stationery, printing, postage and telephone	37,838	140,001
Magazine	507,126	455,804
Marketing and research	299,732	303,473
Facilities charges	66,000	60,500
Audit fees	13,553	11,652
Accountancy fees	1,400	-
Depreciation of tangible assets	7,437	11,546
Other costs	108,262	55,246
	<hr/>	<hr/>
Total	1,450,947	1,271,622
	<hr/>	<hr/>

The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)

7 Analysis of staff costs	2016	2015
	£	£
Wages and salaries	336,387	198,704
Social security costs	34,384	18,965
Employers pension contributions	30,363	15,731
Redundancy payments	8,465	-
	<hr/>	<hr/>
Total	409,599	233,400
	<hr/>	<hr/>

Staff costs represent the costs of staff employed by the Royal Academy and recharged to the Charity. The Charity engaged an average of 9 permanent staff (2015: 6).

One employee earned more than £60,000 in the year (2015: one). In 2016, one employee was in the band of £70,000 - £79,999 (2015: £60,000 - £69,999) and had pension contributions of £6,025 (2015: £6,180).

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

8 Trustees' remuneration, benefits and expenses

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

No trustee was reimbursed for any costs incurred in fulfilling their duties (2015: £nil).

9 Taxation

The Charity has no charge to United Kingdom corporation tax since it is a registered charity.

10 Tangible fixed assets

	Computer equipment £
Cost	
At 31 August 2015	58,727
Disposals	(2,433)
	<hr/>
At 31 August 2016	56,294
	<hr/>
Depreciation	
At 31 August 2015	49,274
Depreciation for year	7,437
Disposals	(2,433)
	<hr/>
At 31 August 2016	54,278
	<hr/>
Net book value	
At 31 August 2016	2,016
	<hr/>
At 31 August 2015	9,453
	<hr/>

The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)

11 Debtors	2016	2015
	£	£
Trade debtors	-	1,391
Due from the Royal Academy	237,922	394,028
Due from R.A. Enterprises Limited	9,780	17
Prepayments	4,333	-
Other debtors	129	589
Recoverable taxes	76,037	68,585
	<hr/>	<hr/>
Total	328,201	464,610
	<hr/>	<hr/>

Amounts owed by related undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors - amounts falling due within one year	2016	2015
	£	£
Trade creditors	13,222	83,125
Taxation	84,762	64,615
Accruals	137,073	252,401
Deferred income (see below)	13,860	2,140
Other creditors	779	886
	<hr/>	<hr/>
Total	249,696	403,167
	<hr/>	<hr/>

Amounts due to related undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Deferred income relates to ticket sales made in relation to events taking place in the next financial year, and Friends subscriptions paid for but not activated at the end of the financial year.

	2016	2015
	£	£
Balance brought forward at 1 September	2,140	-
Amount released to incoming resources	(2,140)	-
Amount deferred in the year	13,860	2,140
	<hr/>	<hr/>
Balance at 31 August	13,860	2,140
	<hr/>	<hr/>

13 Notes to the statement of cash flows	2016	2015
	£	£
Net income / (expenditure)	-	-
Adjustments for:		
- Depreciation of tangible assets	7,437	11,546
- Decrease in debtors	136,409	177,862
- Decrease in creditors	(153,471)	(194,849)
	<hr/>	<hr/>
Cash flow from operating activities	(9,625)	(5,441)
	<hr/>	<hr/>

The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)

14 Financial commitments

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

Payments due:	2016 £	2015 £
Not later than one year	37,800	37,800
Later than one year and not later than five years	132,300	151,200
Later than five years	-	18,900
Total	170,100	207,900

15 Financial instruments

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

	2016 £	2015 £
Financial assets measured at amortised cost	<u>247,831</u>	<u>396,025</u>
Financial liabilities measured at amortised cost	<u>151,074</u>	<u>336,412</u>

16 Related party transactions

During the year the Charity donated £9,598,376 (2015: £8,355,059) to the Royal Academy and reimbursed expenditure of £476,127 (2015: £293,900), including salaries of £409,599 (2015: £233,400) and facilities charges of £66,000 (2015: £60,500) for the Charity's use of Keeper's House, being £52,000 (2015: £52,000) for rent and £14,000 (2015: £8,500) for utilities. At the year end £237,922 (2015: £394,028) was outstanding and included within debtors.

During 2016 the Charity purchased £507,126 (2015: £455,804) of goods from R.A. Enterprises Limited, a subsidiary of the Royal Academy, related to costs for the quarterly RA magazine. At the year end £9,780 (2015: £17) was outstanding and included within debtors.

17 Transition to FRS 102

This is the first year that the Charity has presented its results under FRS 102 SORP. The last financial statements prepared under the previous SORP 2005 were for the year ended 31 August 2015. The date of transition to FRS 102 SORP was 1 September 2014. Set out below are changes in accounting policies which reconcile net income / (expenditure) for the financial year ended 31 August 2015 and the total unrestricted funds as at 1 September 2014 and 31 August 2015 between SORP 2005 as previously reported and FRS 102 SORP.

**The Friends of the Royal Academy
Notes to the Financial Statements
For the year ended 31 August 2016 (continued)**

17 Transition to FRS 102 (continued)

	2015 £	
a. Profit for the financial year		
SORP 2005 - As previously reported	-	
Total adjustment to net income / (expenditure) for the financial year	-	
FRS 102 SORP	-	
b. Total equity	1 Sept 2014 £	31 Aug 2015 £
SORP 2005 - As previously reported	115,734	115,734
Total adjustment to net income / (expenditure) for the financial year	-	-
FRS 102 SORP	115,734	115,734

i. Governance costs

Governance costs had previously been analysed on the face of the SOFA. Governance costs have been analysed to expenditure on charitable activities. There is no effect on total expenditure for the current or previous financial years.