

RA

**Annual Accounts
2018/2019**

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2018/2019

The Royal Academy of Arts

(A Company Limited by Guarantee)
Registered Charity No. 1125383
Registered Company No. 06298947

**Annual report
and consolidated
financial statements
For the year ended 31
August 2019**

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Registered Charity No. 1125383
Registered Company No. 06298947

President and Council: In the financial year and at the date of signing:

President

Christopher Le Brun PRA

Council

Ron Arad RA (appointed 7 November 2018)
Tony Baumgartner (appointed 1 October 2019)
Gordon Benson RA (resigned 9 October 2018)
Tony Bevan RA (resigned 9 October 2018)
Helen Boaden
Anne Desmet RA (resigned 1 October 2019)
Professor Stephen Farthing RA (appointed 1 October 2019)
Brendan Finucane QC (resigned 1 October 2019)
Simon Friend (appointed 9 October 2018)
Gary Hume RA (appointed 9 October 2018)
Julian Heslop (resigned 9 October 2018)
Louisa Hutton OBE RA
Michael Landy RA (appointed 9 October 2018)
Professor David Mach RA (appointed 1 October 2019)
Mali Morris RA (resigned 9 October 2018)
Professor Farshid Moussavi OBE RA (appointed 1 October 2019)
Professor Humphrey Ocean RA (appointed 9 October 2018)
Hughie O'Donoghue RA
Eric Parry RA (resigned 1 October 2019)
Grayson Perry CBE RA (appointed 1 October 2019)
Professor Cathie Pilkington RA (appointed 9 October 2018, resigned 1 October 2019)
Fiona Rae RA (resigned 1 October 2019)
Peter Randall-Page RA (appointed 1 October 2019)
Eva Rothschild RA (appointed 1 October 2019)
Rebecca Salter RA (resigned 9 October 2018)
Yinka Shonibare RA (resigned 9 October 2018)
Bob & Roberta Smith RA (Patrick Brill) (resigned 9 October 2018)
Wolfgang Tillmans RA (appointed 9 October 2018, resigned 1 October 2019)
Rebecca Warren RA (appointed 9 October 2018, resigned 1 October 2019)
Richard Wilson RA (resigned 1 October 2019)
Bill Woodrow RA (resigned 9 October 2018)

Officers

Christopher Le Brun PRA	President
Rebecca Salter RA	Keeper
Chris Wilkinson OBE RA (appointed 1 September 2018)	Treasurer
Sir Charles Saumarez Smith CBE (resigned 31 December 2018)	Secretary and Chief Executive
Axel Rüger (appointed 27 May 2019)	Secretary and Chief Executive

Company Secretary

Susan Gent (resigned 27 November 2018)
Sarah Iddon (appointed 27 November 2018, resigned 28 January 2019)
Benedict Anstey (appointed 28 January 2019)

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Royal Academy Committees at the date of signing¹:

Executive Committee

Axel Rüger (Chairman)
Tzo Zen Ang (on maternity leave)
Charlotte Appleyard
Eliza Bonham Carter
Will Hattam
Carl Hitchcock
Tim Marlow
Natasha Mitchell
Jo Prosser

Exhibitions Committee

Stephen Chambers RA (Chairman)
Professor Josephine Dawn Ades CBE FBA
Professor Brian Catling RA
Richard Deacon CBE RA
Anne Desmet RA
Professor David Ekserdjian
Professor Chantal Joffe RA
Tim Marlow (Secretary)
Alan Stanton OBE RA
Jane and Louise Wilson RA ELECT
President *ex officio*
Keeper *ex officio*
Secretary and Chief Executive *ex officio*

Finance Committee

Chris Wilkinson OBE RA (Chairman)
Anne Desmet RA
Simon Friend
Andrea O'Keeffe
Conrad Shawcross RA
Peter Williams
Sofia Lundberg (Secretary)

Audit Committee

Simon Friend (Chairman)
Ann Christopher RA
John Collier
Clive Humby
Professor David Mach RA
Professor Ian Ritchie CBE RA
Sofia Lundberg (Secretary)

Remuneration Committee

Helen Boaden (Chairperson)
John Collier
Peter Newhouse
Bill Woodrow RA
Secretary and Chief Executive *ex officio*
Treasurer *ex officio*
Kathryn Rowe (Secretary)

Professional Advisors:

Auditors

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Bankers

Lloyds Bank Plc
4th Floor
25 Gresham Street
London EC2R 8LA

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Withers LLP
16 Old Bailey
London EC4M 7EG

Birketts LLP
141-145 Princes Street
Ipswich IP1 1QJ

Registered Office

Burlington House
Piccadilly
London W1J 0BD

¹ Other committees of Council not detailed here are: Annual Dinner Committee; Architecture Committee; Buildings Committee; Collections and Library Committee; Learning Committee; Schools Committee; and Summer Exhibition Committee.

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Constitution and charitable objectives

Constitution

The Royal Academy of Arts ("Royal Academy" or "RA" or "Academy") was incorporated as a company limited by guarantee on 2 July 2007, company registration number 06298947, and registered as a charity on 6 August 2008, charity registration number 1125383.

The incorporated Royal Academy commenced trading on 1 September 2009 following the transfer of the net assets and undertakings from the unincorporated Royal Academy, charity registration number 212798.

The Royal Academy today continues to aspire, in the words of its 18th century founders, to "promote the arts of design". It believes in learning through first-hand experience of the arts and is unique in its combination of practical work, exhibitions and learning programmes.

Its members, the Royal Academicians ("Academicians"), are painters, sculptors, architects, engravers, printmakers and draughtsmen elected by their peers for their distinction as artists. There are up to 100 active Academicians (under the age of 75) who form the General Assembly and a number of senior Academicians (over the age of 75).

The Royal Academy receives no direct revenue support from the government or any other public body. However, the Royal Academy was awarded a Heritage Lottery Fund ("HLF") grant of £12.7m during the year ended 31 August 2014 towards the Burlington Project (also now referred to as RA250).

The Royal Academy's charitable objects are:

- The promotion of the arts of design;
- The education of the public in the creation, enjoyment, appreciation and understanding of the arts, through exhibitions, educational programmes and debate by all charitable means as the members of Council may think fit.

Governance and management

The Royal Academy is governed by its Board of Directors or trustees, who are referred to as the Council of the Royal Academy. The Council consists of thirteen Academicians, up to three individuals who are not Academicians, and the President.

Six seats in the Council go by rotation to all the Academicians, three go to newly elected Academicians and four are elected by the General Assembly of all Academicians. Academicians serve for one year (if newly elected) or two years for their second and subsequent terms. Elected Academicians serve for two years and are able to be re-elected for a further two terms of two years. The external members of Council are elected for a period of two years and may be re-elected for two further terms of two years.

No member of Council may serve more than three consecutive terms.

The President serves on Council *ex officio*. The Keeper and the Treasurer attend Council but are not members of Council.

Council meets monthly between October and the following July (but not in January). Changes in rules, elections, and discussion on important issues of the moment take place at General Assemblies, held three times a year. Council is responsible for approving adequate arrangements for induction and training for new Council Members.

Newly elected Council Members are:

- given a detailed "induction pack" of documents, which includes guidance on trustees' roles and duties and a copy of the Memorandum and Articles of Association of the Royal Academy, together with the Laws and the Administrative Instructions, which together form the governing documents of the RA and set out its structure, role and responsibilities;
- given copies of the annual reports and financial management reports;
- required to sign the Roll of Obligation (Academicians only);
- provided with an induction session at the first (October) Council meeting of the financial year, conducted by the RA's General Counsel; and

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Constitution and charitable objectives (continued)

- invited to meet with members of the Executive Committee.

The Secretary and Chief Executive has delegated authority for the day-to-day running of the Royal Academy and, together with the President, Keeper and Treasurer, is an Officer of the RA and attends Council meetings. The Chief Operating Officer and Artistic Director also attend Council meetings but are not Officers or Academicians.

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, Burlington House Limited and RA (Arts) Limited. Although these are separate legal entities, they are regarded as part of the Royal Academy "group" for management purposes and are included in the consolidated financial statements.

The Executive Committee, comprising senior members of staff and led by the Secretary and Chief Executive, has delegated responsibility for the day-to-day running of the Royal Academy and implements policies and strategies in accordance with the Administrative Instructions issued by Council. The Secretary and Chief Executive reports to Council.

The Finance Committee, currently composed of Council Members, Academicians, external members appointed by Council (and which currently includes a trustee of the Royal Academy Trust) and attended by senior members of staff and external advisors, makes recommendations to Council on the finances of the Royal Academy. The remit of the Finance Committee is to advise Council on matters of a financial nature and to oversee the financial management of the Royal Academy.

The Audit Committee consisting of three Academicians and three external advisors reports to General Assembly through Council. Committee members are appointed initially for three years and the Committee usually meets at least four times a year. The remit of the Audit Committee is to monitor and review the systems of internal financial control, risk management and financial reporting and to advise Council on matters arising as appropriate. The Audit Committee has the unrestricted power to enquire into any item or items of income and expenditure or any matter giving rise to a risk that may require mitigation of the Royal Academy "group". It has the specific responsibilities to receive the annual report and consolidated financial statements, together with the auditors' report thereon, and to submit these documents to Council with the Audit Committee's comments, prior to printing and distributing their comments to all Academicians for the General Assembly. The Audit Committee advises General Assembly on the stewardship of arrangements with internal and external audit and reports at least once a year to Council on the financial condition of the Royal Academy "group".

The Exhibitions Committee consists of up to 15 members, to include the President of the Royal Academy, the Treasurer, the Keeper and a minimum of seven Academicians, not including the Officers. The Committee is responsible to the Council for the exhibitions programme of the Royal Academy, with the object of crossing cultures and periods and aiming to engage, inspire and resonate with the Royal Academy's audiences and members. The Exhibitions Committee is responsible for: considering exhibition proposals; receiving recommendations for approval from the Architecture Committee and Collections Committee; advising Council on the work of the Exhibitions Department; overseeing exhibition projects; providing Council (via the Finance Committee) with regular financial reports; informing Council of changes to the exhibitions programme.

The Remuneration Committee consisting of Academicians, a member of Council and external specialist pay and benefits advisors, makes recommendations to Council. The remit of the Remuneration Committee includes responsibility for the general remuneration policy of the Royal Academy; the stipend paid to Academician Officers; the remuneration of the Secretary and Chief Executive and members of the Executive ("Key Management Personnel"); payments made by the Royal Academy to Academicians for their services; pension arrangements for Royal Academy employees; and incentive scheme arrangements and their constructs for Royal Academy employees. The Committee meets at least once but normally four times a year. The

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Constitution and charitable objectives (continued)

remuneration policy for Key Management Personnel is expected to follow the arrangements for other staff, except in the case of exceptional performance, based on appraisals and the written recommendation of the Secretary and Chief Executive, in which case it may be regarded as appropriate to either offer a one off, non-consolidated bonus, or to make an adjustment to their salary. The Secretary and Chief Executive will make his recommendations for Key Management Personnel to the Remuneration Committee based on their performance, together with affordability and relevant market and sector rates of pay according to independent benchmarking tools.

Connected charities

The Royal Academy Trust, set up in 1981 to provide funds for the support of the Royal Academy, is separately registered as a charity with its own trustees, who are men and women of distinction. As it is not controlled by the Royal Academy, its resources have not been consolidated with those of the Royal Academy.

The Friends of the Royal Academy, a separate charity with its own trustees, was incorporated as a company limited by guarantee in December 1976 to support the work of the Royal Academy. As with the Royal Academy Trust, it is not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy.

Another separate, independent organisation – Royal Academy America – based in New York, raises money for the Royal Academy. There is an annual joint meeting of the American and British trustees at which management briefs the trustees on developments and fundraising needs and initiatives. As with the Royal Academy Trust and Friends of the Royal Academy, it is not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy.

Charity Governance Code

The Royal Academy and its trustees take good governance seriously and are aware of the Charity Governance Code, including its seven main principles.

In 2016 a detailed governance review was carried out, including recommendations to improve areas on decision-making, risk and control. This included reviewing memberships of committees and introducing clear and precise terms of reference for those committees, following a standard format. Building on this and other work, the Royal Academy has:

- Reviewed and updated terms of reference for all committees and governance bodies, including specific attention to confidentiality and data protection;
- Reviewed and updated the Royal Academy's Administrative Instructions;
- Introduced improved policies and procedures relating to areas such as whistleblowing, incident reporting and data protection;
- Continued to implement and embed policies and governance structures relating to areas such as gift acceptance and conflicts of interest.

The Royal Academy will continue to monitor and improve its governance processes, with particular regard to the Charity Governance Code and related guidance and best practice.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Royal Academy continues and that appropriate adaptations are made. It is the policy of the Royal Academy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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Constitution and charitable objectives (continued)

Employee consultation

The Royal Academy places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Royal Academy. This is achieved through formal and informal meetings including the regular “Show and Tell” sessions, All Staff Briefings and on the Royal Academy’s intranet.

Current year objectives

To enable the Royal Academy to continue to meet its charitable objectives, in February 2013, the Royal Academy devised a new Strategic Plan. The final year of this five year plan was 2018, which culminated in our 250th anniversary year. This is therefore the last time that we are reporting by reference to the 2013-18 Strategic Plan, as we move forward with devising our new Strategic Plan, which we expect to publish in the first half of 2020. The 2013-18 Strategic Plan set out to achieve five principal objectives, as follows:

1. To inspire and engage a wider public
2. To engage scholars and nurture the artists of the future
3. To establish spaces fit for a 21st century Academy
4. To realise the full potential of our members and staff
5. To fulfil our objectives and safeguard our future

Activities, achievements and impact

Review of activities

Looking back on 2018/19, we chart our progress against these five key objectives:

1. Public engagement: to inspire and engage a wider public

With Burlington House now linked to Burlington Gardens, visitors to the Royal Academy can enjoy a wider choice of exhibitions and events, alongside free galleries showing new work and centuries-old art from the RA Collection.

Exhibitions

The 2018/19 exhibition programme was framed by two ambitious and pioneering loan exhibitions in the Main Galleries. *Oceania* was the first-ever major survey of Pacific art to be held in the United Kingdom. It included around 200 exceptional works by nine contemporary artists and collectives shown alongside historic objects from public collections worldwide. *Bill Viola / Michelangelo: Life, Death, Rebirth* presented a bold juxtaposition of works by 20th-century video artist and Honorary Royal Academician Bill Viola (b.1951) in conversation with the drawings of Michelangelo (1475–1564). It was the first-ever exhibition at the Royal Academy devoted to video art. In total, over 220,000 people attended.

The Jillian and Arthur M. Sackler Wing of Galleries meanwhile presented three more intimate shows: *Klimt / Schiele: Drawings from the Albertina Museum, Vienna, The Renaissance Nude* and *Félix Vallotton: Painter of Disquiet*.

The new Gabrielle Jungels-Winkler galleries offer the RA a space to extend the remit of its exhibitions programme. In its first full year, the programme opened with a retrospective of the work of Renzo Piano Hon RA and showcased new sculptures by Phyllida Barlow RA. These sculptures explored the limits of the galleries, using everyday materials – concrete, timber, fabric – to create towering sculptures that impelled visitors to engage with their scale and weight.

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Activities, achievements and impact (continued)

The 251st *Summer Exhibition* was coordinated by painter Jock McFadyen RA. Over 1,600 works were selected for display. The Evening Standard wrote that “the show has never looked so coherent” and praised the “impressive flair” with which such a vast number of works was arranged. The exhibition had an attendance of just under 195,000.

Collection Gallery and displays

The redevelopment of Burlington Gardens has provided ever more opportunities for the RA to showcase its own artists past and present and its heritage. Free displays across the campus offered an important new level of access to audiences, with one in five people now visiting the RA to see things outside the main exhibition programme.

The RA Collection Gallery presented works by its founding artists and in its first year welcomed over 150,000 visitors. Mali Morris RA presented her top picks from the Collection alongside exhibiting her own work in the Tennant Gallery. Other campus wide displays included interventions by Bob and Roberta Smith RA, graduate of the RA Schools Sarah Pickstone and RA Schools student Richie Moment.

The new Architecture Studio in Burlington Gardens presented *Invisible Landscapes*, an investigation in three acts of the impact digital technologies have on our lives and everyday environments. Later in the year, *Knock Nothing Down* considered the architectural benefit of demolition.

Architecture programme

In 2018/19, 5,000 participants attended events organised as part of the RA’s Architecture Programme. The RA’s annual Architectural Awards Week took place from 13 to 17 May 2019. The Royal Academy Architecture Prize was awarded to Elizabeth Diller and Ricardo Scofidio for their interdisciplinary work demonstrating how buildings enhance cities. The Royal Academy Dorfman Award was presented to Thai architect Boonserm Premthada from the Bangkok Project Studio. The work of the four finalists for the Dorfman Award – from Thailand, Niger, Ireland and Mexico – was put on display in the Architecture Studio.

National Lottery Heritage Fund Activity Plan

The close of the financial year marked the end of the National Lottery Heritage Fund Plan. Generous funding from the National Lottery from 2013 to 2019 enabled the RA to deliver the capital project and widen engagement with its new spaces and artistic programme. Through various strands of work, the RA was able to experiment and develop its public programming by means of new types of free displays, better online access, more diverse learning programmes, and a wider involvement of apprentices and volunteers.

2. Academic: to engage scholars and nurture the artists of the future

The RA Schools has trained the next generation of artists for 250 years. The RA’s commitment to the study of art and architecture extends across a dynamic range of learning programmes, designed to educate and inspire both adults and children. The RA’s Library and Archive is an important resource for scholars around the globe.

RA Schools

In February 2019, the RA announced a new campaign to enhance the RA Schools with a major gift from Julia and Hans Rausing. Marking 250 years of the RA Schools, the Future Academy campaign aims to restore the Schools’ historic fabric as well as create a new suite of technical workshops. A further aim is to endow every student a place and secure free postgraduate education in perpetuity; this has already been supported by a generous gift from

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Activities, achievements and impact (continued)

Ronald and Rita McAulay to the Royal Academy Trust in August 2019, which will provide future endowment income to the RA.

In a way that was never before possible, visitors moving through the RA can now engage with work and ideas from the RA Schools in the new Weston Studio. The space's first full-year programme was created and curated by the RA Schools and included *The Garden*, a celebration of the Schools' 250th anniversary. The Weston Studio's central location meant that 76,000 visitors passed through the Weston Studio during *Premiums: Interim Projects*, while 32,000 visitors experienced the *RA Schools Show*.

Masters Degree in Cultural Leadership

Last year, in partnership with the University of Maastricht, the RA launched a new postgraduate degree course aimed at developing the next generation of leaders in cultural institutions. The Executive Master in Cultural Leadership is taught in intensive modules in London and Maastricht, with trips to art fairs and biennales around the world. The programme provides students with unprecedented access to leading figures in the international art world and network of relationships at the Royal Academy of Arts. The first cohort of 17 students began in January 2019.

Primary and secondary schools

The new Clore Learning Centre has widened the possibilities for workshops and displays and provides a valuable new venue for exhibitions; opening up the important work the RA does for the wider public to see. Nearly 700 school groups booked a visit to the RA in 2018/19 during which teachers and staff introduced 20,000 students to the history of art and architecture, and the RA itself. New workshops were developed to engage students with the newly displayed RA Collection, as well as creative sessions and interactive guided tours of exhibitions. Students from Further Education Colleges and home-educated groups were also welcomed.

Families and communities

In 2018/19, 8% of visits to the RA were made by families, with numbers more than doubling since the reopening of Burlington Gardens. The Clore Learning Centre enabled the RA to lead two innovative exhibition projects. The first, *Art is Part of the Equation*, encouraged artists to work with schoolchildren and community groups. Sponsored by BNY Mellon, the exhibition celebrated a diverse range of makers who might otherwise face considerable barriers to being involved in the arts. Drawing on the success of the earlier A-level Summer Exhibition Online, the RA launched a new *Young Artists' Summer Show* in 2019. Artists aged 7–19 submitted more than 6,200 drawings, paintings, photographs, sculptures and videos. The show was made possible by funding from Robin Hambro.

Adult courses and events

In 2018/19, the RA ran 50 courses for adults. In September 2018 the RA launched its first Festival of Ideas. Thinkers and practitioners from the realms of art, music, dance, film and literature engaged in discussion, debate and creative thinking on a range of compelling topics. The event proved so popular that a second festival was held in May 2019. In total nearly 9,500 people participated in the two festivals.

Throughout the year the RA held more than 100 events for adults, reaching 18,000 visitors. RA Lates continued to sell out, attracting 8,000 participants in 2018/19.

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Activities, achievements and impact (continued)

3. Spaces: to establish spaces fit for a 21st century Academy

In May 2018, the new RA campus sprang to life with the public opening of the newly combined Burlington House and Burlington Gardens.

A sense of welcome

The new RA campus, more diverse and more widespread, has posed a new set of questions about what visitors do at the RA and how they find their way around. In recent months, the RA has started to refine how the communal spaces are used.

In September 2018 the RA opened its refurbished shop in Burlington House. The retail area expanded to create a new space: Gallery X. The room features limited edition works of art and artist collaborations.

A refurbishment of the Friends' room in the Keeper's House was completed in September 2019.

The digital space

As the physical RA has expanded, so has its presence as a digital space. In 2018/19 the RA website attracted 3.4m visits. Followers of the RA on Instagram grew by 53,000, a rise of 18% over 2017/18. Overall the RA has 1.1m followers on Facebook, Instagram and Twitter.

The Customer Experience Project, which is implementing a new single database of RA customers, launched entirely new systems for selling and servicing tickets, memberships and donations in 2018/19. As part of this project, the website was redesigned to integrate the new system and improve cross-sell opportunities. This redesign has been attributed to a significant increase in the percentage of tickets sold online with a Gift Aid donation – rising from approximately 15% to over 50%.

Sustainability

The RA has reviewed the impact of its operations upon the environment and taken a view on how it could operate more sustainably. To this end, the 2013 Sustainability Policy has been revised into two governing documents: "The RA Environmental Sustainability - Statement of Principles" and "The RA Environmental Sustainability Objectives". While the former states how the RA intends to support the mitigation of climate change and associated system pressures where it can, the objectives detail specific areas of improvement across the campus. Measures will be taken to ensure the organisation minimises energy consumption and carbon emissions directly. Supply chains will also be assessed for their environmental impact.

4. People: to realise the full potential of our members and staff

The RA is unique: an artist-led institution where Royal Academicians and RA staff join together to promote art and architecture.

Royal Academicians

Changes to the Membership in 2018/19 saw architects Adam Caruso and Peter St John and Niall McLaughlin elected Royal Academicians, as were painters Lubaina Himid and John Akomfrah. Artists Carmen Herrera and Kara Walker were elected Honorary Royal Academicians. The RA was saddened to learn of the death in May 2019 of the outstanding Chinese-born architect I.M. Pei, who was an Honorary Academician.

A number of appointments were made: Lord Peter Ricketts as Secretary for Foreign Correspondence, Professor Roger Kneebone as Professor of Anatomy, Professor Bronwyn Ormsby as Professor of Chemistry and Professor Gerald Libby as Emeritus Professor of Anatomy.

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Activities, achievements and impact (continued)

RA staff

Axel Rüger was announced as the new Secretary and Chief Executive of the Royal Academy in February 2019, joining in May 2019. His appointment followed the departure of Sir Charles Saumarez Smith at the end of 2018. Rüger was previously curator of Dutch paintings, 1600–1800 at the National Gallery, London, and most recently director of the Van Gogh Museum in Amsterdam.

In December 2019, Christopher Le Brun is stepping down after serving eight years as President of the Royal Academy. The end of 2019 will also mark the departure of the RA's Artistic Director, Tim Marlow, who takes up the post of Chief Executive and Director of the Design Museum in January 2020.

A study of the Gender Pay Gap at the RA reported that, excluding casual workers, 63% of RA staff members were female. An analysis of pay averaged across the entire organisation showed that men earned 10% more in hourly rates than women, but that women earned 1% more in bonus pay. The rates show an improvement on the last report published in 2018, where the pay gap in favour of men for hourly pay was 14%.

The RA extended its commitment to the London Living Wage by negotiating with its outsourced catering providers to ensure those employed by these external companies and working on site are paid at least the London Living Wage.

Volunteers

In 2018/19, volunteers enabled the RA to undertake an ever-greater number of activities. Volunteer guides led 735 tours of the building for more than 5,000 visitors. Visitors appreciate the difference volunteers make. As one wrote, the half-hour tour they took was an “extremely interesting introduction to the history of the RA and its relevance to today's art”. 97% of volunteers surveyed stated that they felt valued for the contribution they made to the RA.

5. Finance and sustainability: to fulfil our objectives and safeguard our future

The expansion of the campus brings with it both opportunities and challenges from a finance perspective. There are opportunities to grow the already impressive financial support from fundraising initiatives, commercial income and our loyal Friends, Patrons and corporate supporters, as well as to increase income from our extended exhibition, events and learning programme; but also challenges, from the increased costs of operating a larger site with much added public space and offering an enhanced programme, including a far greater free public offer than ever before.

Supporters

The Friends of the Royal Academy, a separate registered charity, donated £11.6m to the RA, 3.8% more than the previous year, which represents just over 29% of the RA's total income from ongoing activities. The year closed with over 92,000 members.

As part of their annual subscription, a membership of 430 International Patrons, RA Patrons and Young Patrons contributed over £1.3m to supporting the RA's continued operations.

Fundraising

The opening of the RA's new campus in 2018 drew to a close the largest fundraising campaign in the RA's history. Over ten years, nearly 2,000 people contributed. In December 2018, the final major gift was announced: a £2.5m donation from Julia and Hans Rausing to the Royal Academy Trust, which was received in the previous financial year. In honour of their generosity, the 19th-century Vaults – now opened up as a prominent display area along the public route linking Burlington House to Burlington Gardens – were renamed the Julia and Hans Rausing Hall.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Activities, achievements and impact (continued)

Corporate support

Extensive corporate support for the RA's 250th anniversary continued throughout 2018/19. BNY Mellon was the RA's Anniversary Partner, supporting exhibitions and events throughout the year. New Corporate Members in 2018/19 included BNY Mellon, Connor Broadley, Jeffries, Native Land, Oil Brokerage, Permira, and Slaughter and May. Insight Investment agreed to support the Summer Exhibition and Preview Party for the next four years.

Commercial income

R.A. Enterprises Limited, a trading subsidiary of the RA, generated sales of £7.2m in 2018/19, with over £6.3m from retail and publications, £0.5m from catering and £0.4m from academic courses. Total sales were 2% down on the previous year, but sales held up well given that overall visitor numbers to the paid exhibition programme were 15% down.

Retail sales rose by 7% with customers spending £13.72 per transaction on average. Categories that performed strongly included books, jewellery, stationery, prints and posters. For the exhibition *Oceania*, the RA collaborated directly with makers and artists from the Pacific islands and showcased original prints, carvings, textiles and jewellery. The launch of Gallery X in October 2018 has allowed for a series of successful sales initiatives and collaborations, as well as the expansion of the bookshop.

The RA Shop also realised £0.2m in art sales during the year, including prints by Michael Craig-Martin RA, Paula Rego RA and other Academicians. RA Editions launched the first-ever etching by Bill Viola's studio based on one of his drawings. Solo art sale shows by Leonard McComb RA, Humphrey Ocean RA and Tess Jaray RA generated £0.1m across the year.

RA Publications released 25 new titles, of which the most well received included *Klimt / Schiele*, which sold 11,000 copies, and the catalogue for the *Oceania* exhibition, which won the International Tribal Art Book Prize 2018. Publications aimed at a wider market ranged from the RA Artists Cookbook to *A Short Affair*, an anthology of short stories by best-selling authors Lionel Shriver, Will Self and others with illustrations by RA Schools students and alumni. The RA Magazine, a leader in the sector for revenue, raised £0.7m through advertising, subscriptions and sales.

Revenue from academic courses rose by 5% to £0.4m, while the new Executive Masters attracted, for the RA and Maastricht University in a joint partnership, a joint income of £0.6m for the first intake of the programme from January 2019 to April 2020, of which the RA recognised income of £0.1m in 2018/19.

Impact and public benefit

The opening of the new RA in 2018 coincided with the end of our 2013-18 Strategic Plan. Over the past five years we have dedicated our efforts towards unveiling the new building and “revealing the living Academy”. Our 250th anniversary marked a major milestone in the development of the Royal Academy and a transformation in both our physical presence and our programme offer. From here and over the next five years, as we develop our 2019-2023 Strategic Plan our efforts will be focused and directed towards making a home of the new campus and bringing the Academy to life for our audiences to experience.

Like many charities, the RA has a two-pronged goal: to deliver on our mission, whilst at the same time securing the financial sustainability to ensure our continued relevance. Our Medium Term Plan, underpinning our Strategic Plan, explicitly articulates the goal to achieve an average net income of at least £4.0m p.a. from ongoing activities (before interest, depreciation and amortisation) to fund the ongoing maintenance of our 2.5 acre campus and the required investment in technology; periodic plant upgrades and gallery refurbishment programmes;

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Impact and public benefit (continued)

financing costs; and contributions towards our financial obligations in respect of our legacy defined benefit pension scheme. Alongside our financial goal to achieve sustainability we have identified a set of mission related goals.

The Executive has defined our impact goals as follows:

1. Sustain the quality of our expanded exhibition programme to draw at least 1.1m exhibition visitors each year; and 1.5m visitors to the campus overall, including visits to our new Collection Gallery and free displays.
2. Deepen our impact in teaching and learning, by (a) establishing the Royal Academy as a leading destination for debate and the exchange of ideas around art and architecture; (b) continuing to sustain the strength of the RA Schools in developing the next generation of artist; and (c) establishing our new Executive Masters in Cultural Leadership, as a leading credential for experienced executive leaders looking to shape the future of the arts and cultural sectors.
3. Prioritise our welcome, by building in our visitor needs and motivations into the onsite experience and matching the out-of-gallery experience with the quality of experience we have become known to deliver inside the galleries.
4. Grow our loyal audiences, by both expanding the number of visitors to the campus, increasing loyalty among these visitors and then focusing our efforts on converting loyal visitors to become members of the Friends of the Royal Academy. By managing loyalty from the first visit to the Royal Academy through the membership ladder we aim to maximise engagement and enhance and grow the donation the Royal Academy receives from the Friends of the Royal Academy charity each year.
5. Build our endowment to ensure the long term financial sustainability of the Royal Academy and secure continued contribution to the UK's creative economy; and strengthen our legacy by securing the funding for the next phase of the Burlington Project (the redevelopment of the Royal Academy Schools) to ensure that our Schools continue to attract, develop and graduate the next generation of leading artists.
6. Make it easier to get things done, by developing our internal organisation to clarify accountability, improve collaboration, and ultimately ensure we effectively manage the allocation of charitable funds.

Impact measures

The RA tracks and monitors a variety of impact measures (as distinguished from Key Performance Indicators, which are considered separately in the Strategic Report below). These measures include those pertaining to the RA's activities across exhibitions, RA Schools, library and collections, and education; where possible, we aim to measure the delivery of our mission / impact goals numerically, as well as qualitatively and anecdotally.

The current measures will evolve as we better understand which measures are most reliable and informative, and as we introduce new means of tracking and assessing the impact we have.

In the interim, in implementing the stated objectives through the strategies described, the trustees confirm that they comply with their duty to have regard to the Charity Commission guidance on public benefit.

The exhibition programme provides a mix of subject matter and content for a range of public tastes and is complemented by a programme of activities such as lectures and workshops aimed at providing opportunities for the public to engage with the subject matter and the institution. Both our exhibition and lecture / workshop programmes, and therefore the number of people these reach, grew significantly in 2018/19 financial year as we started to capitalise on the new spaces offered by the expanded campus including, the new 260 seat Benjamin West Lecture Theatre; the Collection Gallery; the new Clore Learning Centre; The Wolfson British Academy Room, as

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Impact and public benefit (continued)

well as the new The Gabrielle Jungels-Winkler Galleries; The Ronald and Rita McAulay Gallery; The Weston Studio; the Dorfman Senate Room and Architecture Studio and other display areas.

The expanded campus offers a range of opportunities for engagement and learning across a wider community of adults, students and teachers, parents and children, and community and special needs groups.

The Royal Academy's pricing policy includes opportunities for those on lower incomes to visit the Royal Academy and participate in its programmes by taking advantage of reduced ticket prices and free activities.

Strategic report

Business review

A review of the Royal Academy's activities, achievements and impact has been included in the "Activities, Achievements and Impact" section of our report above. These refer to the five key strategic objectives in the RA Strategic Plan 2013-2018 (relating to five key areas: Public, Academic, Spaces, People and Finances/Sustainability).

We are currently devising the RA Strategic Plan 2019-2023 which will be published in the first half of 2020. In the interim, we have been reporting and measuring against the six key impact goals noted above and have been focused on making the Academy "a home for art and ideas" and bringing the Academy to life for our audiences to experience.

Key performance indicators

Since September 2014 we have tracked the following key performance indicators ("KPIs"). These have all been identified as key measures of our progress against our strategic objectives. Targets for overall audience figures and KPIs with direct financial impact (e.g., membership numbers) are embedded into our Medium Term Plan, which is updated annually. Targets for more qualitative measures (e.g., visitor experience, audience diversity) continue to be refined on an ongoing basis. Executive review core visitor KPIs on a fortnightly basis and a wider set of KPIs is reported and discussed at Executive level on a monthly basis. We will be revisiting and updating our KPIs as we finalise our 2019-2023 Strategic Plan.

1. Public

- Exhibition and campus visitors. Target at least 1.5m visits p.a. from 2019/20, including 1.1m plus visitors to the paid exhibition programme
- Digital visitors (website sessions, Facebook friends, Twitter followers)
- Visitor experience (rating of exhibition and of overall visit)
- Critical reception of exhibitions
- Audience for public learning and debate activities
- Secondary spend per visitor (retail spend and catering spend)

2. Academic

- Audience for Collections (physical displays, website visits, appointments)
- RA Schools applications (per place and from outside London/UK/Europe)

3. Spaces

- Completion of Burlington Project fundraising (for each phase; Phase I nearing completion)
- Completion of Burlington Project building works (on budget to schedule; for each phase)

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Strategic report (continued)

4. People

- Academician engagement
- Staff engagement (engagement survey, appraisal completion, turnover)

5. Finances/Sustainability

- Overall income from Friends, Patrons, Corporate and Academicians' Room memberships
- Target sustainable net income from ongoing activities (before interest, depreciation and amortisation) of at least £4.0m per annum on average over a rolling five year period
- Completion of the Customer Experience Project and implementation of new enterprise applications to support our customer relationship management activities across ticketing, fundraising, loyalty and engagement and enabling a single view of our customers by the end of 2018/19. This Project has now entered a final Phase III, having implemented the enterprise applications for ticketing, fundraising and membership. Phase III will seek to enrich our data by incorporating data sources from our other applications, including those for our commercial and Summer Exhibition activities; to improve both our online and offline processes and experiences; and to explore enhanced marketing and reporting opportunities.

Financial review

Financial result for the year

The results for the current year show net expenditure of £2,083,836 (2018: £2,743,593) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net income of £5,048,551 (2018: £9,387,750) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate. Net expenditure of £2,083,836 (2018: £2,743,593) for core activities includes £3,814 (2018: £668,297) of expenditure on temporary accommodation, with the relocation of staff during construction works for the Burlington Project; £618,889 (2018: £442,410) of interest payable; and £20,627 (2018: £11,958) of interest receivable. Excluding these temporary costs, core activities incurred net expenditure of £2,080,022 (2018: £2,075,296); and excluding net interest payable, net expenditure of £1,481,760 (2018: £1,644,844).

Total net movement in funds, includes the recognition of the actuarial loss on the pension scheme totalling £843,000 (2018: gain of £2,353,000), and a tax credit of £434,551 (2018: £465,659) in respect of Museum and Galleries Tax Relief, resulting in a surplus of £2,556,266 (2018: £9,462,816).

The ongoing activities shortfall, excluding temporary accommodation costs and net interest payable, was £1,481,760 (2018: £1,644,844). These results are marginally up on those of the previous year. Total income from ongoing activities increased by 2.1% in the year to £39.8m (2018: £39.0m), with costs increasing by just over 1.5% over the same period to £41.3m (2018: £40.6m) resulting in the £0.2m net increase.

The increase in income included a 3.8% increase in the donation from the Friends of the Royal Academy to £11.6m (2018: £11.1m); offset by a 17.1% decrease in exhibitions income to £6.4m (2018: £7.7m), with paid visitors to the exhibition programme down by nearly 21%, primarily reflecting the commercial success of Charles I: King and Collector and the 250th Summer Exhibition in the previous year. There was a 6.6% increase in income from our trading subsidiaries to £10.8m (2018: £10.1m). Income from commercial activities of £7.2m was 1.8% down (2018: £7.4m) despite an overall 15% reduction in visitor numbers to the paid exhibition programme, but income from entertaining services to the corporate sector at £2.7m was over 28% up (2018: £2.1m) and income from ticketed fundraising events at £0.9m were over 31% up (2018: £0.7m). The comparatively strong performance of these trading activities was in part

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Financial review (continued)

due to the additional spaces available, since the new RA campus opened in May 2018. Other income including sponsorship at £2.9m was 13% down (2018: £3.3m); but other donations at £5.8m were 10% up (2018: £5.3m).

The increase in expenditure included a 1.2% increase in staff costs to £16.0m (2018: £15.8m), with full-time equivalent permanent employees increasing marginally to 344 (2018: 342); other expenditure (excluding depreciation and amortisation) has increased by 2.1% to £21.2m (2018: £20.8m); with depreciation and amortisation charges flat at £4.0m – the comparatively high charge reflecting the Academy's recent investment in both the plant upgrade and gallery refurbishment programme and systems technology, as well as the assets brought into service primarily last year with completion of Phase I of the Burlington Project.

We continued to invest in digital strategy, including systems technology, during the year with significant investment in implementing new systems for selling and servicing tickets, memberships and donations.

The long term £17.9m gallery plant upgrade programme is now substantially complete with £0.2m remaining to be expended on this at the year end.

The Royal Academy put in place a £5.0m committed Masterplan Revolving Credit Facility in May 2017 to provide the required working capital for the completion of the Burlington Project, as redevelopment costs were incurred in advance of the receipt of pledged donations. The facility, which is available for a period of five years and which has since been extended to June 2023, can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. £4.0m of this £5.0m facility was drawn down at the year end.

The Royal Academy put in place a £2.5m committed Operating Revolving Credit Facility in March 2018 to manage operating working capital requirements. The facility, which is also available for a period of five years, can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. This facility was not drawn down at the year end.

The Royal Academy has benefited significantly from the introduction of the Museums and Galleries Tax relief from 1 April 2017, providing much needed financial support to the exhibitions and free display programme amounting to over £0.4m each year to date.

With the opening of the expanded campus in May 2018, the current year represents the first full year of operating at the new RA. Despite several successful exhibitions, including the commercially successful *Klimt/Schiele: Drawings from the Albertina Museum, Vienna*, and 251st Summer Exhibition, visitor numbers were overall down against targets set and as such, the net shortfall of £1.5m was marginally behind budget. The opening of the expanded RA campus is a major milestone in the RA's history and the challenge now is to develop an operating and financial model to ensure the RA's financial sustainability over the short, medium and longer term. We can only then take full advantage from the multi-million pound redesign of the campus and other significant recent investments made in essential building and technology infrastructure, to support our public and charitable objectives and to safeguard our future. The Royal Academy is well placed to achieve the targets set in its current five year Medium Term Plan, a plan which will evolve as we develop our operating and financial model.

Reserves

The policy of the Royal Academy is to maintain a sufficient level of free reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. A formal policy on reserves was originally agreed at the meeting

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Financial review (continued)

of Council on 4 October 2011 and approved annually thereafter which states:

The trustees have set a reserves policy which requires:

- Reserves to be maintained at a level which ensures that the Royal Academy's core activities could continue during a period of unforeseen difficulty and that current and future commitments can be honoured.
- A proportion of reserves to be maintained in a readily realisable form.
- The policy is reviewed annually by Council.

Free reserves comprise that part of the total unrestricted funds that are freely available. Arising from the most recent review, the trustees have adopted a risk-based approach to determine an appropriate level of free reserves. The trustees consider it appropriate to have free reserves sufficient to cover a period of unforeseen difficulties and consider this to be the greater of a period of three months, being the normal duration of a main gallery exhibition, such that this would allow the Royal Academy to continue running in the circumstances that an exhibition is cancelled without an alternative being viable, and a period of six months, during which the Royal Academy has less than budgeted visitor numbers, due to the impact of external factors, such as the threat of terrorism, reducing the number of visitors to London generally and the RA's campus more specifically.

The trustees have specifically considered the prospective financial impact of the key risks identified in the Royal Academy's Risk Register, including those pertaining to meeting the budget approved for the year ended 31 August 2020 and have further considered the Medium Term Plan of the Royal Academy underpinning the current Strategic Plan and the long term loan funding in place. The trustees have also considered expenditures that could be deferred or avoided to mitigate the detrimental impact of unforeseen difficulties.

Based on this detailed review and analysis, the trustees consider that an appropriate level of free reserves would be in the order of £4.5m to be held by way of operating contingency at all times to enable the Royal Academy to continue operating for a period of three months to cover both a fall in exhibition, trading and voluntary income and fixed operating costs (including salaries) and the prospective financial impact of other uninsured risks or six months, in the event of reduced visitor numbers due to external factors, such as the threat of terrorism.

Actual free reserves as at 31 August 2019

As at 31 August 2019, total unrestricted and non-designated funds stood at £82.7m, including £97.7m of fixed assets. Free reserves, which exclude fixed assets, are therefore in deficit by £15.0m, after taking account of the pension scheme asset of £5.8m and are £19.5m less than the desired level of £4.5m.

The free reserves deficit of £15.0m is represented by net current liabilities of £8.4m plus long term liabilities of £12.4m, of which £10.0m is repayable in ten equal instalments from 2035-2044; and the pension scheme asset of £5.8m.

The net current liabilities of £8.4m as at 31 August 2019 include £0.2m of cash at bank, and additionally the Royal Academy has access to a committed £2.5m Operating Revolving Credit Facility to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon at the year end.

The Royal Academy has a further committed £5.0m Masterplan Revolving Credit Facility to June 2023; £4.0m of this £5.0m facility was drawn down at the year end and is included in current liabilities. This facility is to fund the working capital impact of pledged donations to the Burlington Project, which will be received and recognised in future financial years but the works for which these donations were pledged have been completed, with the related tangible fixed assets brought into service in the financial periods to 31 August 2019. As such, this facility will effectively be repaid from funds received from future donations (which includes £1.5m from the Royal Academy Trust, held as restricted funds, referenced below).

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Financial review (continued)

In view of the level of current liquid resources, future pledged donations and the long term loan funding and short term facilities in place, which are all available for operational purposes, the trustees consider that the Royal Academy has both sufficient funding and liquidity for the foreseeable future.

As outlined above, the Royal Academy is updating its Strategic Plan underpinned by a financial Medium Term Plan, which includes plans to grow net income across a number of areas, to deliver the required level of surplus funds to achieve the target level of free reserves over the long term.

The trustees also take comfort from the fact that the Royal Academy Trust, an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide support to the Royal Academy, held funds of £46.5m at 31 August 2019 in trust for the Royal Academy, of which £16.0m represents unrestricted funds, including £10.9m that is both unrestricted and not designated. A further £19.3m represents permanent endowment funds, which are accounted for on a total return basis (such that both income and capital appreciation may be distributed), with the remaining £11.2m being restricted funds (including £1.5m in respect of the Burlington Project, referenced above). These amounts are held by the Royal Academy Trust until these are required by the Royal Academy for specific purposes and are invested by the Royal Academy Trust to provide future funding for the Royal Academy.

Future plans

Our priorities for the year to come

Our 2013-18 Strategic Plan successfully delivered on our ambition to "reveal a living Academy". This vision focused on shifting the general audience's perception and experience of the RA, from an exhibitions-focused venue to a multifaceted, artist-led Academy, which emphasises art practice and debate as well as display. The transformation of our building to facilitate this vision represented a significant step change in terms of how we aim to serve our audiences and, in turn, how they choose to engage with the RA. This undertaking does not represent a departure for us, but rather, a deepening of our commitment to the RA's founding mission.

As we look ahead to the next five year Strategic Plan 2019-2023 which will be published in the first half of 2020, in the interim our focus has been on settling into our new campus and delivering on our vision to become a "home for art and ideas"; to evolve as an Academy; and to strengthen the connections we make between artists, scholars and the wider public.

To deliver on this vision we have focused on six key strategic priorities:

1. Sustain the quality of our expanded exhibition programme to deliver range, scholarship and "surprise" across the portfolio and to draw at least 1.1m exhibition visitors annually.
2. Deepen our impact in teaching and learning by establishing the RA as a leading destination for the exchange of ideas; and nurturing, developing and graduating artists and cultural leaders.
3. Prioritise our welcome by providing a warmer and distinctly RA welcome; and by building in our visitor needs and motivations into the onsite experience.
4. Grow our loyal audiences by focusing primarily on growing our Friends membership to over 100,000 Friends and growing total membership income by over 30% to c.£17.0m by 2022/23.
5. Build our endowment and strengthen our legacy by growing the endowment funds held in the Royal Academy Trust to provide longer term support for the Royal Academy and securing the funding for the redevelopment of the Royal Academy Schools.
6. Make it easier to get things done by developing our operating model to clarify accountabilities and to align interests; and to engage Academicians more in our activities.

Delivering these priorities will imply a significant shift in our ways of working and our organisational culture. It is important to stress that this is not a revolution but an evolution. The

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Future plans (continued)

re-opening of Burlington Gardens is only the first step on the road to realising the longer term vision of the "New Royal Academy of Arts", as it moves forward with the next 250 years of making, exhibiting and debating art.

Principal risks and uncertainties and risk management

Council, advised by the Executive Committee and other specialist committees, evaluate and monitor risks and ensure systems and controls are subject to regular review. Where appropriate, mitigating actions and improvements are put in place by the Executive Committee.

All risks identified are recorded in the Risk Register, which is maintained on an ongoing basis and not only includes details of all risks considered but also provides a mechanism for assessing and monitoring those risks, detailing the Executive Committee member responsible and the actions taken to mitigate the risk.

The Risk Register is formulated by the Executive Committee; is reviewed quarterly; and is formally reviewed by the Audit Committee on an annual basis. Each risk is given a ranking score, based on impact and likelihood. The highest scoring risks are reviewed by Council and are given the highest priority in terms of management focus and mitigating actions are put into place. The Risk Register also provides the basis for an ongoing programme of Internal Audit reviews, the findings of which are reported to the quarterly Audit Committee meetings.

The highest scoring risks include the risk of the possibility of plant failure in the galleries; loss or damage to artworks; reduced visitor numbers to our exhibition programme; a reduction in the Friends' donation to the Royal Academy arising from diminished Friends' membership income; the threat of a data security breach or cyber-attack; and the impact on our financial sustainability more generally on delivering against our future plans and supporting the costs of running a significantly larger campus with an extended programme post completion of Phase I of our ambitious Masterplan. External risks include the impact of "Brexit" across a number of areas, including the impact on our loan exhibition programme, from both a logistics and costs viewpoint; corporate sponsorship and general consumer confidence; staff recruitment and retention; and future intakes of students to the RA Schools; and the impact of the terrorism threat on the number of visitors to the Royal Academy's exhibition programme.

These risks are all subject to immediate management consideration to provide mitigation. Mitigation steps include continuous review of our exhibitions programme and forward planning for future exhibitions; completion of the plant upgrade programme, together with planned preventative maintenance; security and working practices in place, together with disaster recovery and business continuity planning and procedures; continued review and improvement to the Friends visitor experience and periodic Friends membership pricing reviews; continued improvement to data protection policies, procedures and controls, including emergency response planning; and robust financial planning and analysis supporting the financial Medium Term Plan underpinning the strategic plan being developed for the next five years.

Fundraising

The RA's approach to fundraising is largely relationship led, through individual donor giving, memberships of the RA, capital appeals and legacies and corporate sponsorship. The RA does not generally engage with commercial participators and professional fundraisers. The RA does not carry out house-to-house fundraising or street collections.

The RA is registered with the Fundraising Regulator and has submitted its annual complaints return to the Fundraising Regulator. The RA complies with the Charities Act in regard to fundraising and in addition puts the privacy of our supporter data at the heart of everything we do. We manage personal data respectfully and responsibly in accordance with our published privacy policy.

The RA received 172 complaints associated with fundraising and membership in this financial year. This is a comparatively low figure for the sector and our activities and represents the degree with which we have developed our processes to ensure we put our supporters and the safeguarding of their data at the centre of everything we do. Nevertheless, we are committed to studying any expression of dissatisfaction and identifying ways to improve. Our supporter relations team look into each complaint and we do all we can to resolve complaints and ensure supporters are happy with our work.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2019

Statement of trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources, including the income and expenditure of the charitable group for that period. In preparing these financial statements, the trustees 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; and
- observe the methods and principles in the Charities SORP.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company 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 re-appoint Moore Kingston Smith LLP as the Royal Academy's auditors will be put to the forthcoming General Assembly.

On behalf of the Council



Christopher Le Brun PRA
President



Chris Wilkinson OBE RA
Treasurer

3 December 2019

Date The Royal Academy of Arts
Burlington House
Piccadilly
London W1J 0BD

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

We have audited the financial statements of The Royal Academy of Arts for the year ended 31 August 2019 which comprise the consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2019 and of the group's 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 21, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

Use of this report

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 charitable company's members those matters which 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.

Moore Kingston Smith LLP

Andrew Stickland (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

3 December 2019

Date Devonshire House
60 Goswell Road
London EC1M 7AD

The Royal Academy of Arts Consolidated Statement of Financial Activities (including an income and expenditure account) For the year ended 31 August 2019

	Ongoing activities			Burlington Project		Total 2019	Total 2018
	Unrestricted funds 2019	Designated funds 2019	Restricted funds 2019	Restricted funds 2019	Total 2019		
Note	£	£	£	£	£	£	£
Income from:							
* see note 4 for comparatives							
Donations and legacies							
General donations from RAT*	-	-	274,557	-	274,557	236,351	
Other donations from RAT*:							
Burlington Project	-	-	-	1,100,000	1,100,000	4,000,000	
Cataloguing project	-	-	32,000	-	32,000	40,000	
Other projects	-	-	530,899	-	530,899	563,456	
Donations from Friends of the RA	11,571,381	-	-	-	11,571,381	11,146,587	
Other donations	5	2,601,027	283,831	2,913,718	3,967,412	9,765,988	11,122,625
Grant income	6	-	-	812,299	812,299	139,116	
Charitable activities							
Exhibitions	6,379,617	-	-	-	6,379,617	7,693,930	
Schools	34,012	-	-	-	34,012	50,087	
Library	21,195	-	-	-	21,195	19,350	
Education	644,906	-	-	-	644,906	356,853	
Other trading activities							
Income from trading subsidiaries	7	10,794,559	-	-	10,794,559	10,129,811	
Sponsorship, rent and other receipts		2,887,201	-	-	2,887,201	3,324,275	
Investments							
Bank interest		20,627	-	-	20,627	18,175	
Dividends		595	-	-	595	543	
Total income		34,955,120	283,831	4,563,473	5,067,936	44,870,360	48,841,159
Expenditure on:							
Raising funds							
Fundraising	9	(4,865,591)	-	-	(4,865,591)	(5,171,963)	
Expenditure from trading subsidiaries	7	(7,515,764)	-	-	(7,515,764)	(6,882,128)	
Charitable activities	10	(25,526,445)	(2,000)	(3,933,102)	(29,461,547)	(28,963,944)	
Other							
Project management		(20,878)	-	-	(20,878)	(259,664)	
Temporary accommodation		(3,814)	-	-	(3,814)	(887,849)	
Donation to RAT*		-	-	(18,666)	(18,666)	(31,454)	
Total expenditure		(37,932,492)	(2,000)	(3,951,768)	(19,385)	(41,905,645)	(42,197,002)
Net income / (expenditure)	11	(2,977,372)	281,831	611,705	5,048,551	2,964,715	6,644,157
Transfers between funds	25	4,309,010	-	-	(4,309,010)	-	-
Other gains							
Tax credit	15	434,551	-	-	434,551	465,659	
Remeasurement of defined benefit pension scheme asset	28	(843,000)	-	-	(843,000)	2,353,000	
Net movement in funds		923,189	281,831	611,705	739,541	2,556,266	9,462,816
Total funds brought forward		81,824,087	106,039	842,017	3,556,813	86,328,956	76,866,140
Total funds carried forward		82,747,276	387,870	1,453,722	4,296,354	88,885,222	86,328,956

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

* RAT denotes Royal Academy Trust

The Royal Academy of Arts Balance Sheets As at 31 August 2019

	Note	Group		Royal Academy	
		2019	2018	2019	2018
		£	£	£	£
Fixed assets					
Heritage assets	16	1,142,110	679,000	1,142,110	679,000
Intangible assets	17	957,903	979,450	654,342	525,303
6 Burlington Gardens	18.c	64,774,708	64,082,048	64,774,708	64,082,048
Other tangible fixed assets	18.a, b	33,661,845	35,835,981	33,631,194	35,811,078
Investments	19	-	-	108	108
Total fixed assets		100,536,566	101,576,479	100,202,462	101,097,537
Current assets					
Stock	20	1,012,499	1,322,667	-	-
Debtors	21	4,009,112	4,826,710	4,279,499	5,118,689
Cash and cash equivalents		3,169,490	1,339,497	3,106,157	1,279,087
Total current assets		8,191,101	7,488,874	7,385,656	6,397,776
Creditors - amounts falling due within one year	22	(13,265,588)	(15,423,274)	(12,132,839)	(13,860,034)
Net current liabilities		(5,074,487)	(7,934,400)	(4,747,183)	(7,462,258)
Total assets less current liabilities		95,462,079	93,642,079	95,455,279	93,635,279
Creditors - amounts falling due after more than one year	23	(12,374,857)	(13,261,123)	(12,374,857)	(13,261,123)
Net assets excluding pension asset		83,087,222	80,380,956	83,080,422	80,374,156
Defined benefit pension scheme asset	28	5,798,000	5,948,000	5,798,000	5,948,000
Total net assets		88,885,222	86,328,956	88,878,422	86,322,156
The funds of the charity:					
Restricted funds	25	5,750,076	4,398,830	5,750,076	4,398,830
Unrestricted funds:					
General funds (designated)	25	387,870	106,039	387,870	106,039
General funds	25	76,949,276	75,876,087	76,942,476	75,869,287
Pension reserve	25	5,798,000	5,948,000	5,798,000	5,948,000
Total unrestricted funds		83,135,146	81,930,126	83,128,346	81,923,326
Total charity funds		88,885,222	86,328,956	88,878,422	86,322,156

Approved and authorised for issue by the President and Council of The Royal Academy of Arts on 3 December 2019

Christopher Le Brun PRA
President

Chris Wilkinson OBE RA
Treasurer

Registered Company No. 06298947

The Royal Academy of Arts Consolidated Statement of Cash Flows For the year ended 31 August 2019

	Note	2019	2018
		£	£
Net cash provided by operating activities	27	6,125,711	12,090,142
Tax credit received		37,878	-
Cash flows from investing activities			
Interest paid		(618,889)	(442,410)
Interest received		21,151	18,175
Payments to acquire heritage assets	16	(14,360)	-
Payments to acquire tangible fixed assets	18.a	(2,079,518)	(17,863,271)
Payments to acquire intangible fixed assets	17.a	(422,380)	(790,043)
Net cash used in investing activities		(3,113,996)	(19,077,549)
Cash flows from financing activities			
Net repayment on revolving credit facilities	22	(1,000,000)	-
Bank loan repayments	23	(219,600)	(219,600)
Net cash used in financing activities		(1,219,600)	(219,600)
Net change in cash and cash equivalents		1,829,993	(7,207,007)
Cash and cash equivalents at the beginning of the year		1,339,497	8,546,504
Cash and cash equivalents at the end of the year		3,169,490	1,339,497
Analysis of cash and cash equivalents:			
Cash at bank and in hand		3,169,490	1,339,497
Total cash and cash equivalents		3,169,490	1,339,497

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019

1 . General information

The Royal Academy of Arts ("Royal Academy") and its subsidiaries (together "the Group") continues to aspire to promote the arts of design and educate the public in the creation, appreciation and enjoyment of arts. The registered office is Burlington House, Piccadilly, London.

The Royal Academy is a company limited by guarantee and a registered charity and incorporated in England and Wales.

2 . Summary of significant accounting policies

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

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

The Royal Academy 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.

The consolidated financial statements comprise the financial statements of the Royal Academy and its three trading subsidiaries: RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2019. The total income and expenditure of these entities is shown in the Statement of Financial Activities ("SOFA") and the detailed results are disclosed in note 7 of the financial statements. The statements are consolidated on a line by line basis.

The Royal Academy has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual SOFA. The Royal Academy only deficit (net movement in funds) was (£722,529) (2018: surplus of £6,215,133).

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

b. Going concern

The trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern. Whilst the Group has net current liabilities of £5.1m at the year end, current liabilities include £4.0m drawn on a committed Masterplan Revolving Credit Facility, which can, if required, be rolled forward after each three month interest period to June 2023. This facility is to fund the working capital impact of pledged donations to the Burlington Project which will be received and recognised in future financial periods; the cost of works for which these donations have been pledged having been already incurred. The Group also has access to a committed £2.5m Operating Revolving Credit Facility to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon as at the year end. In view of the level of current liquid resources, the future pledged donations, the long term loan funding and short term facilities in place, the trustees consider that the Group has both sufficient funding and liquidity for the foreseeable future.

In addition the Royal Academy Trust, an independent charity established to specifically provide support to the Royal Academy, held funds of £46.5m at the year end in trust for the Royal Academy, of which £16.0m are unrestricted, including £10.9m that is both unrestricted and not designated.

There are no material uncertainties affecting the current year's financial statements.

c. Funds structure

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified as a restricted fund.

Restricted funds are those where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose.

Those funds which are not restricted income funds, are unrestricted income funds which are sub analysed between designated funds, where Council have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors; and unrestricted funds, which are used at the trustees' discretion in furtherance of the general objectives of the Royal Academy, including the general fund which represents the Group's reserves. The major funds held in each of these categories are disclosed in note 25.

Transfers between funds represents the funds transferred between restricted funds to the general unrestricted fund on completion of the project and the restriction being satisfied.

d. Burlington House

The Royal Academy holds a 999 year lease on Burlington House, of which almost 850 years remain, title to which is vested in the Secretary of State for the Department of Communities and Local Government. The rent of the property is nominal but it is the responsibility of the Royal Academy to maintain the property in a sound condition. The property is inalienable in that its ownership reverts to the Government if it is no longer used by the Royal Academy. The property works carried out on the galleries, Schools and Library are principally to maintain the fabric in its original condition and ensure an adequate environment for the exhibits. As the value of these works is part of the fabric of the building and cannot be realised, these are not recognised in the balance sheet except in the case of building improvements as detailed in the fixed assets and depreciation policy described below.

e. Heritage assets

The Royal Academy holds a collection of works of art, which consists of paintings, sculptures and prints, together with a library of books acquired by the Royal Academy by donation, bequest and from members on election to the Royal Academy ("Diploma Works").

The trustees do not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Royal Academy. In particular, the Diploma Works have an intrinsic value to the Royal Academy collection as an embodiment of the development of the Royal Academy as an institution. The manner in which they are given to the Royal Academy makes the valuation of these items very subjective, such that a reliable value cannot be arrived at. Furthermore, the cost of valuing the entire collection would be onerous compared with the benefit derived by users of the financial statements in assessing the Royal Academy's stewardship of these assets.

As such, the Royal Academy does not recognise these assets on its balance sheet other than acquisitions made since 1 April 2010 with a value of £10,000 or more. These are reported at cost where the asset is purchased or at the curator's best estimate of current value where the asset is donated. Such assets are not depreciated but are reviewed for impairment in the event of physical deterioration. Any impairment in the value of an asset is treated as charitable expenditure in the year in which it arises.

Expenditure which is required to preserve or prevent further deterioration of the collection is recognised in the SOFA when it is incurred.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

2. Summary of significant accounting policies (continued)

f. Foreign currency

Investment transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the balance sheet date.

g. Intangible assets

Computer software and website costs are stated at cost less accumulated amortisation and impairment losses. These are amortised over their estimated useful life, of three years, on a straight line basis.

h. Tangible assets

Expenditure on building improvements, new machinery and equipment is capitalised as fixed assets and stated at cost less accumulated depreciation. The Royal Academy applies a £1,000 threshold to the capitalisation of fixed assets. Depreciation is charged at the following rates on a straight line basis:

Building improvements	5 to 25 years
Computers	over 3 years
Office fixtures and fittings	3 to 10 years
Plant and equipment	5 to 15 years
Motor vehicles	over 3 years

Short leasehold property improvements are depreciated over the period of the lease.

Freehold property has been capitalised and included in fixed assets at cost. Depreciation has not been provided after taking into account the value of the land, the residual value of the property and the estimated useful life of the asset. The property is reviewed annually for any potential impairment.

No depreciation is charged on assets in course of construction. Where assets are constructed as part of a project for which specific identifiable assets are brought into service before the overall project is completed, such assets will be transferred from assets in course of construction to building improvements or fixtures, fittings and equipment as appropriate and depreciated from the date these are placed in service.

i. Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the SOFA on a straight line basis over the period of the lease.

Incentives received to enter into operating leases are credited to the SOFA to reduce the lease expense, on a straight line basis over the period of the lease.

j. Stock

Stock principally consists of shop and e-commerce products and is valued at the lower of cost and net realisable value. In the case of artworks provided by an artist these items are recognised in the financial statements at their anticipated sales price, less anticipated cost of sales and any subsequent impairment.

k. Income

Income, which is stated net of VAT where applicable, and intra-group transactions, consists of box office takings, sponsorship, donations and grants.

Income received for an activity taking place in a subsequent period is deferred to that period in accordance with FRS 102, except where that income relates to an exhibition where the accounting policy outlined below is followed.

i. Exhibitions

The results of exhibitions are recognised in the financial statements of the year in which the majority of the exhibition takes place. Costs incurred and income received, including sponsorship income, in connection with forthcoming exhibitions, where the majority of the exhibition falls after the year end, are deferred at the balance sheet date. If a decision is made not to proceed with an exhibition, the costs are written off. Commissions on art sales at the Royal Academy's Summer Exhibition is recognised at the point of sale by the artist.

ii. Donated services

Where an artist has donated their services, for example, in the creation of artworks or artworks themselves, to be sold alongside an exhibition, the donated services or artworks are recognised in the financial statements in accordance with the policy for exhibitions income disclosed above.

Other donated services are recognised when these have been delivered and are valued at the amount the Royal Academy would be prepared to pay for a similar service.

iii. Patrons

Patrons income is recognised in the financial statements on a cash received basis.

iv. Grants

For performance related grants, income entitlement is considered to be conditional upon the meeting of conditions imposed by the grant. Income is therefore recognised in the financial statements to the extent that the Royal Academy has demonstrably met any grant conditions imposed.

Non-performance related grants are recognised when there is evidence of entitlement, receipt is probable (more likely than not) and its amount can be measured reliably.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

2. Summary of significant accounting policies (continued)

k. Income (continued)

v. Donations

Donations and related Gift Aid are accounted for when the donation is received. If donations are specifically in connection with a future event, these are restricted; if specifically in connection with a future exhibition, these follow the policy set out in 2.k.i.

vi. Trading subsidiary income

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and VAT. Turnover is recognised at the point of sale for goods and when services have been delivered. Subscriptions are accounted for in the period in which membership commences.

l. Legacies

Legacies are accounted for as income where there is clear entitlement; the amounts can be measured reliably; and receipt is probable.

Receipt is probable when:

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

Measurement is based on the value listed in the will for pecuniary gifts, provided the estate has sufficient funds, and on the estate accounts for residuary gifts.

m. Expenditure

Expenditure is accounted for on an accruals basis inclusive of any VAT which cannot be recovered. Expenditure is recognised when there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable a transfer of economic benefit will be required in settlement and the amount can be measured reliably.

Expenditure on raising funds consist of costs of trading subsidiaries and fundraising expenditure. These include the direct costs of the department, including the running costs of sponsorship, fundraising and events, together with a share of the support costs of the Royal Academy.

Charitable activities include all costs related to the main purpose of the Royal Academy and include: direct costs of exhibitions and the associated education programme; running the Royal Academy Schools; and the conservation of the permanent collection and the Library. Publicity costs are allocated to Exhibitions, Schools, Collections and Education based on the income from each area.

Support costs are the costs of departments which are shared by the various activities of the Royal Academy: Finance, Human Resources, Information Technology, Facilities and governance costs. These costs are allocated to activities on a basis that is appropriate to the nature of the expenditure and have therefore been allocated over headcount.

n. Employee benefits

The Royal Academy provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Defined benefit pension plan

The Royal Academy of Arts Pension Scheme ("the Scheme") is a defined benefit pension scheme closed to future accrual on 30 September 2016. Pension assets and liabilities are recorded in line with Section 28 of FRS 102. With scheme valuations undertaken by independent actuaries, FRS 102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities. Current service costs, together with the net interest for the year, are allocated to relevant expenditure headings within the SOFA. Scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term to the Scheme liabilities. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in unrestricted funds in the SOFA within remeasurement of defined benefit pension scheme asset. The resulting defined benefit pension scheme asset or liability is presented separately on the face of the balance sheet in unrestricted funds. The Royal Academy recognises an asset for its Scheme to the extent this is considered recoverable through reduced contributions in the future, or through refunds from the Scheme. The trustees of the Scheme believe that the Scheme currently meets the minimum funding requirements. The assets of the Scheme are held completely independently from the Royal Academy.

The income and expense related to the Scheme is allocated entirely to the unrestricted ongoing activities of the Group.

iii. Defined contribution pension plans

The Royal Academy operates two defined contribution plans for its employees. The contributions are recognised as an expense when these are due. Amounts not paid are shown in accruals in the balance sheet.

iv. Annual bonus plan

The Group operates an annual bonus scheme for permanent and fixed term contract employees. An expense is recognised in the SOFA when the Group has a constructive obligation to make payments under the plan as a result of past performance and a reliable estimate of the obligation can be made.

v. Termination payments

Termination benefits are payable when employment is terminated by the Royal Academy before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Royal Academy recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

o. Administered funds

Investments held by the administered funds are stated at market value at the balance sheet date. Dividend income from investments is recognised on an accruals basis.

p. Investments

Listed investments are stated at market value at the year end. The market value of securities is based on the bid market quotation on the relevant stock exchange and investments that are held in units are stated at the average of the unit bid and offer prices. Unlisted investments are stated at cost as no market value is available. The SOFA includes any realised or unrealised gain or loss during the year. Investment income, including the related tax credit, and interest on bank and short-term deposits are accounted for on a receivable basis.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

2. Summary of significant accounting policies (continued)

q. Financial instruments

Financial instruments are recognised in the Royal Academy's balance sheet when it becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Royal Academy after deducting all of its liabilities.

i. Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost less any impairment.

ii. Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA.

Trade debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "debtors". Debtors are measured at amortised cost less any impairment.

iii. Impairment of financial assets

Financial assets, other than those held at fair value through the SOFA, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOFA.

iv. Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

v. Basic financial liabilities

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

vi. Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the SOFA in finance costs or finance income as appropriate. Hedge accounting is not currently applied.

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 and intangible assets

The annual depreciation and amortisation charge for fixed 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 notes 17 and 18 for the carrying value of assets and note 2.g and 2.h for the useful economic lives.

b. Impairment of debtors

The Royal Academy 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.

c. Defined benefit pension scheme asset / liability

The determination of the assumptions used in calculating the defined benefit pension scheme asset / liability is the responsibility of the trustees of the Royal Academy, with delegated authority to the Director of Finance. The assumptions are set with regard to advice given by the scheme actuary.

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

4. Prior year comparatives by type of fund

The SOFA provides prior year comparatives in total; this note provides prior period comparatives for each of the types of funds.

	Ongoing activities			Burlington Project		Total 2018
	Unrestricted funds 2018	Designated funds 2018	Restricted funds 2018	Designated funds 2018	Restricted funds 2018	
	£	£	£	£	£	£
Income from:						
Donations and legacies						
General donations from RAT*	-	-	236,351	-	-	236,351
Other donations from RAT*:						
Burlington Project	-	-	-	-	4,000,000	4,000,000
Cataloguing project	-	-	40,000	-	-	40,000
Other projects	-	-	563,456	-	-	563,456
Donations from Friends of the Royal Academy	11,146,587	-	-	-	-	11,146,587
Other donations	2,678,420	20,000	2,563,456	3,753,722	2,107,027	11,122,625
Grant income	-	-	139,116	-	-	139,116
Charitable activities						
Exhibitions	7,693,930	-	-	-	-	7,693,930
Schools	50,087	-	-	-	-	50,087
Library	19,350	-	-	-	-	19,350
Education	356,853	-	-	-	-	356,853
Other trading activities						
Income from trading subsidiaries	10,129,811	-	-	-	-	10,129,811
Sponsorship, rent and other receipts	3,324,275	-	-	-	-	3,324,275
Investments						
Bank interest	11,958	-	-	6,217	-	18,175
Dividends	543	-	-	-	-	543
Total income	35,411,814	20,000	3,542,379	3,759,939	6,107,027	48,841,159
Expenditure on:						
Raising funds						
Fundraising	(5,171,963)	-	-	-	-	(5,171,963)
Expenditure from trading subsidiaries	(6,882,128)	-	-	-	-	(6,882,128)
Charitable activities	(25,797,824)	(52,000)	(3,114,120)	-	-	(28,963,944)
Other						
Project management	-	-	-	(259,664)	-	(259,664)
Temporary accommodation	(668,297)	-	-	(219,552)	-	(887,849)
Donation to RAT*	-	-	(31,454)	-	-	(31,454)
Total expenditure	(38,520,212)	(52,000)	(3,145,574)	(479,216)	-	(42,197,002)
Net income / (expenditure)	(3,108,398)	(32,000)	396,805	3,280,723	6,107,027	6,644,157
Transfers between funds	48,955,121	-	-	(8,634,407)	(40,320,714)	-
Tax credit	465,659	-	-	-	-	465,659
Remeasurement of defined benefit pension scheme asset	2,353,000	-	-	-	-	2,353,000
Net movement in funds	48,665,382	(32,000)	396,805	(5,353,684)	(34,213,687)	9,462,816
Total funds brought forward	33,158,705	138,039	445,212	5,353,684	37,770,500	76,866,140
Total funds carried forward	81,824,087	106,039	842,017	-	3,556,813	86,328,956

* RAT denotes Royal Academy Trust

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

5. Income from other donations

	Unrestricted funds	Designated funds	Restricted funds	Total 2019	Total 2018
	£	£	£	£	£
Exhibitions	174,262	-	423,786	598,048	1,277,267
Schools	263,941	-	122,125	386,066	577,688
Library	3,790	-	1,340,236	1,344,026	803,501
Education	75,228	-	550,377	625,605	281,752
General - plant upgrade	1,407,057	-	-	1,407,057	1,259,623
General - other	676,749	-	474,694	1,151,443	1,020,880
Burlington Project	-	-	3,967,412	3,967,412	5,860,749
Legacies for endowment*	-	283,831	2,500	286,331	41,165
Total	2,601,027	283,831	6,881,130	9,765,988	11,122,625

*With effect from 1 September 2018, Council has designated that future legacies will be set aside as an expendable endowment for the general objectives of the Royal Academy.

6. Income from grant income

	Unrestricted funds	Designated funds	Restricted funds	Total 2019	Total 2018
	£	£	£	£	£
General - other	-	-	812,299	812,299	139,116
Total	-	-	812,299	812,299	139,116

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

7. Results from subsidiaries

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, which operates a shop and e-commerce business, a restaurant and cafés, a publications and art sales business and commercial learning; RA (Arts) Limited, which provides entertainment services to the corporate sector; and Burlington House Limited, which raises funds from the corporate sector and individuals through ticketed events. These companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy. The registered offices of all subsidiaries is Burlington House, Piccadilly, London. A summary of their trading results is shown below. Audited financial statements for these subsidiaries are filed annually with the Registrar of Companies.

Profit and Loss	Total	R.A. Enterprises Ltd		RA (Arts) Ltd		Burlington House Ltd	
	2019	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£	£
Turnover	10,794,559	7,228,548	7,362,946	2,664,056	2,079,029	901,955	687,836
Cost of sales	(3,675,871)	(3,180,088)	(3,079,360)	(76,896)	(89,603)	(418,887)	(414,780)
Administrative expenses	(3,839,893)	(3,284,521)	(2,943,766)	(386,488)	(340,644)	(168,884)	(13,975)
Total expenses	(7,515,764)	(6,464,609)	(6,023,126)	(463,384)	(430,247)	(587,771)	(428,755)
Net result	3,278,795	763,939	1,339,820	2,200,672	1,648,782	314,184	259,081
Distribution to the Royal Academy	(3,278,795)	(763,939)	(1,339,820)	(2,200,672)	(1,648,782)	(314,184)	(259,081)

No charge to taxation will arise as the companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy.

Balance Sheet	Total	R.A. Enterprises Ltd		RA (Arts) Ltd		Burlington House Ltd	
	2019	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£	£
Fixed assets							
Intangible fixed assets	304,163	304,163	454,148	-	-	-	-
Tangible fixed assets	30,646	30,646	24,904	-	-	-	-
Total fixed assets	334,809	334,809	479,052	-	-	-	-
Current assets							
Stock	1,012,499	1,012,499	1,057,667	-	-	-	-
Debtors	1,150,974	477,441	1,162,894	511,933	478,358	161,600	12,490
Cash and cash equivalents	-	-	359	-	-	-	-
Total current assets	2,163,473	1,489,940	2,220,920	511,933	478,358	161,600	12,490
Current liabilities							
Creditors - amounts falling due within one year	(2,498,174)	(1,824,745)	(2,699,968)	(511,929)	(478,354)	(161,500)	(12,390)
Net current assets / (liabilities)	(334,701)	(334,805)	(479,048)	4	4	100	100
Total assets less total liabilities	108	4	4	4	4	100	100
Capital and reserves							
Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	108	4	4	4	4	100	100

8. Support costs

2019	Finance	IT	Personnel	Facilities	Governance	Total
	£	£	£	£	£	£
Exhibitions	1,075,081	535,589	191,724	1,605,947	218,091	3,626,432
Schools	246,978	123,041	44,045	368,934	50,102	833,100
Library	276,035	137,516	49,226	412,338	55,996	931,111
Education	290,563	144,754	51,817	434,040	58,943	980,117
Publicity	653,766	325,696	113,998	976,590	132,623	2,178,024
Fundraising	639,238	318,458	116,589	954,888	129,676	2,183,498
Total	3,181,661	1,585,054	567,399	4,752,737	645,431	10,732,282

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

8. Support costs (continued)

2018	Finance	IT	Personnel	Facilities	Governance	Total
	£	£	£	£	£	£
Exhibitions	920,802	474,497	160,986	1,346,602	228,371	3,131,258
Schools	230,200	118,624	40,246	336,650	57,093	782,813
Library	270,824	139,558	47,349	396,059	67,168	920,958
Education	324,989	167,469	56,819	475,271	80,602	1,105,150
Publicity	501,025	258,182	87,595	732,710	124,261	1,703,773
Fundraising	717,684	369,828	125,474	1,049,557	177,995	2,440,538
Total	2,965,524	1,528,159	518,469	4,336,849	735,875	10,084,876

9. Fundraising

	2019	2018
	£	£
Direct fundraising costs	2,682,093	2,731,425
Support costs (note 8)	2,183,498	2,440,538
Total	4,865,591	5,171,963

10. Charitable activities

2019	Direct costs	Support costs	Publicity costs (i)	Total
	£	£	£	£
Exhibitions	12,761,239	3,626,432	5,003,226	21,390,897
Schools	1,414,805	833,100	26,674	2,274,579
Library	1,711,198	931,111	16,622	2,658,931
Intellectual property expenditure	13,333	-	-	13,333
Education	1,637,921	980,117	505,769	3,123,807
Total	17,538,496	6,370,760	5,552,291	29,461,547

(note 8)

2018	Direct costs	Support costs	Publicity costs (i)	Total
	£	£	£	£
Exhibitions	12,994,067	3,131,258	4,989,416	21,114,741
Schools	1,289,974	782,813	32,481	2,105,268
Library	2,025,473	920,958	12,548	2,958,979
Intellectual property expenditure	8,545	-	-	8,545
Education	1,439,846	1,105,150	231,415	2,776,411
Total	17,757,905	5,940,179	5,265,860	28,963,944

Exhibitions expenditure includes the direct costs of mounting all loan exhibitions and the Summer Exhibition and all associated costs, such as curatorial staff, art handling, security, press and box office.

i. Publicity costs comprise direct publicity costs and an allocation of support costs analysed as follows:

	2019	2018
	£	£
Direct publicity costs	3,374,267	3,562,087
Support costs (note 8)	2,178,024	1,703,773
Total	5,552,291	5,265,860

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2019 (continued)

11. Net income / (expenditure)

This is stated after charging:

	2019	2018
	£	£
Amortisation	443,927	233,236
Depreciation	3,560,994	3,759,374
Auditors' remuneration:		
External auditors		
Audit services - group undertakings	51,256	51,496
Audit services - defined benefit pension scheme	8,250	8,000
Other services	19,502	10,321
Interest payable and similar charges	618,889	442,410

External auditors other services relate to tax compliance and other advice.

The total lease expenditure incurred in the year was £168,355 (2018: £861,994). This included £668,297 in 2018 in exceptional rent incurred due to staff relocation during the Burlington Project redevelopment.

12. Role of volunteers

Like all charities, the Royal Academy, uses a team of volunteers. In 2019 the Royal Academy engaged 162 (2018: 172) volunteers across both its Learning and Collections departments.

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.

13. Officers' and Council members' remuneration

Officers' remuneration, excluding pension contributions, is as follows:

	2019	2018
	£	£
President	70,000	70,000
Keeper	50,000	50,000
Secretary and Chief Executive	180,060	212,850
Treasurer	40,000	40,000
Total	340,060	372,850

Remuneration for officers is set by the Remuneration Committee.

One officer (2018: one) received pension contributions totalling £17,270 (2018: £28,928). Due to the change in Secretary and Chief Executive during the course of the year, three individuals undertook this role in 2019, including one in a temporary acting-up position.

Council members are only reimbursed for expenses incurred in the performance of their duties, except for those individuals who are remunerated for their duties as officers. Three (2018: five) trustees received reimbursed expenditure of:

	2019	2018
	£	£
Travel	3,566	3,800
Other	802	826
Total	4,368	4,626

Trustee indemnity insurance costs for the year totalled £14,787 (2018: £14,787).

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2019 (continued)

14. Staff costs

	2019	2018
	£	£
Salaries and wages	13,800,448	13,601,645
Social security costs	1,295,260	1,296,693
Redundancy and termination payments	144,771	68,047
Pension contributions - defined contribution schemes	949,844	946,337
Pension service cost - defined benefit scheme	(168,000)	(81,000)
Total	16,022,323	15,831,722

Staff costs include payroll for temporary as well as permanent staff. The increase in salaries and wages includes the impact of an increase in full-time equivalent employees and the annual pay increase.

Redundancy and termination payments made in the year relate to voluntary redundancies in exchange for these benefits (2018: same).

The key management personnel of the Royal Academy, and Group, comprise the Executive Committee, trustees and officers. Total remuneration of key management personnel during the year was £1,479,020 (2018: £1,553,285). Pension contributions were £93,698 (2018: £120,301).

The number of employees, including officers, whose remuneration exceeded £60,000, is shown below:

	2019	2018
Band:	No.	No.
£60,000 to £69,999	10	8
£70,000 to £79,999	3	4
£80,000 to £89,999	3	1
£100,000 to £109,999	1	-
£110,000 to £119,999	-	1
£120,000 to £129,999	1	4
£130,000 to £139,999	2	1
£140,000 to £149,999	1	-
£180,000 to £189,999	1	1
£210,000 to £219,999	-	1

Pension contributions for the above employees were £158,774 (2018: £198,764).

The average number of permanent employees and of full-time equivalent ("FTE") permanent employees, including officers, during the year was:

	Headcount		FTE	
	2019	2018	2019	2018
	No.	No.	No.	No.
Charitable activities	130	132	116	114
Fundraising and publicity	88	88	84	84
Trading activities	55	50	49	43
Governance	4	6	3	6
Support	94	97	92	95
Total	371	373	344	342

The number of part-time staff employed by the Royal Academy varies throughout the year, depending on the exhibition programme.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

15. Taxation

The Royal Academy is entitled to a tax credit under the Museums and Galleries Tax Relief scheme from 1 April 2017.

	2019	2018
	£	£
Taxation credit		
- For the current year	424,234	438,089
- Adjustment in respect of prior year	10,317	27,570
Total	434,551	465,659

16. Heritage assets

The Royal Academy holds assets that fall under the definition of "Heritage Assets". These fall into three broad collections: The Works of Art Collection, The Royal Academy Library and The Royal Academy Archive. Each of these is considered in turn.

All items in these collections are available to view by appointment. Items are also from time to time included in exhibitions at the Royal Academy, as well as being loaned out to other exhibitors.

The Works of Art Collection

The Works of Art Collection consists of works of art and other objects of historic, artistic or associational significance owned by the Royal Academy, namely: paintings, sculpture (including medals, dies, cameos, and intaglio gems); drawings; artists' sketchbooks; individually issued prints; photographs; plaster casts (including pastes of gems); historic skeletons relating to teaching in the Schools; objects of memorabilia, including artists' tools and materials; historic silver and silver-plate; historic items of furniture; picture frames; and certain fittings and fixtures within Burlington House. The Royal Academy holds around 990 paintings in its permanent collection and over 25,000 prints and drawings.

The majority of works and objects in the collections date from the foundation of the Royal Academy in 1768 to the present day. Exceptions include the Taddei Tondo, the only marble by Michelangelo in the UK; early copies after the Old Masters, such as those by Giampietrino, Rosso Fiorentino and Sir James Thornhill; as well as some prints and drawings.

The core of The Works of Art Collection is the Diploma Works. These are given by Academicians on election to the institution and are predominantly by British artists and architects. Other works of art were purchased, bequeathed or given to the Royal Academy and range from drawings to plaster casts and from photographs to paintings. There is also a collection of silver given to the Royal Academy by Academicians, which is of historical importance to the Royal Academy.

The Royal Academy Library (Special Books Collection)

The Library comprises the Historic Books Collection dating from the 16th century to approximately 1920, and the Special Illustrated Books Collection.

The Royal Academy Archive

The Archive holds papers and documents and copies of electronic correspondence relating to the institution's history as well as artists' letters and archives. The Archive also includes photographic prints, transparencies, glass slides and negatives, films and videotapes which relate to the history and activities of the institution. More information about the Royal Academy's collection is available at www.racollection.org.uk.

Capitalisation of the collections

In the opinion of the trustees, reliable information on cost or value is not available for the Royal Academy permanent collection. This is owing to the lack of reliable information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of items held.

The collections have a significant intrinsic value relating to the way they provide a unique insight into the development of art and the study of art over the past 250 years. The manner in which items are given by Academicians makes valuation of these items difficult as there is no original cost to the item. In addition there is an intrinsic value to the collections as an embodiment of the development of the Royal Academy as an institution, which would also be far too subjective and unique to place any reliable value upon.

For this reason, the permanent collection, large proportions of which were gifted to the Royal Academy at nil cost, are incomparable in nature and are not recognised as assets in the Royal Academy's balance sheet.

Acquisitions and disposals

Diploma Works are proposed by newly elected members and accessioned into the collection following approval by Council. The approval of non-diploma works (by purchase, bequest or donation) is by the Director of Learning and Collections, in consultation with the relevant curator. If the acquisition is more than £5,000 in value, a case for accessioning must be made by the Director of Learning and Collections to the Collections and Library Committee. All acquisitions are reported annually to the Collections and Library Committee by the Director of Learning and Collections. The list is subsequently submitted to Council as part of an annual report and the Director of Learning and Collections attends Council to discuss any matters arising from the report.

Disposals will only take place in accordance with the Acquisitions and Disposal Policy. No disposals were made in the year.

Objects will only be deaccessioned by way of exchange (in the case of Diploma Works) or if there is irreparable damage to or total loss of an object.

In the financial year, Diploma Works were presented by Academicians Michael Landy RA, Adam Caruso RA and Peter St John RA.

Gifts made to the Royal Academy in the current financial year included a painting by Zhang Enli, valued at \$300,000 (£243,750). This has been recognised in the balance sheet and will be reviewed annually for impairment. Valuations are based on the value provided by the artist or their gallery. Other gifts this year include a maquette by Jonathan Yeo and several paintings by Anthony Whishaw RA.

The Acquisitions and Disposals Policy is available for review on the Royal Academy's website www.royalacademy.org.uk.

Preservation

The Royal Academy is committed to the preservation of its collections. It aims to ensure the longest possible life of the collections. This includes security, financial, environmental, storage and staffing that all help to preserve the collections for posterity.

Works of art are ordinarily stored and displayed in conditioned spaces. Some sculpture is stored in spaces without environmental controls; however these have proven to be naturally stable environments. The Royal Academy complies as closely as it is able with BS 5454:2000 "Recommendations for the Storage and Exhibition of Archival Documents 7.3" for the storage of its archives. Some items are held off-site in specialist warehouses.

For the works of art, most conservators employed by the Royal Academy are on the ICON Conservation Register. For other areas of the collections, a variety of conservation experts are consulted.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

16. Heritage assets (continued)

Collections management

The Works of Art Collection, Special Books Collection and Archive are catalogued in a series of discrete but interconnected databases, each fully conforming to their relevant professional standards, i.e. Spectrum for museum objects; AACR2 and MARC21 for books; and ISAD(G) for archives. The three databases are linked to a series of shared authority files and thesauri against which terms such as personal names, corporate names, materials and techniques, and production roles must be validated. This ensures consistency in data entry and in data searches.

The Collection, Library and Archive are designated as collections of national importance as awarded by the Arts Council in 2011. In order to meet the stringent requirements for this award, an extensive list of procedures and policies for the management of the collection, informed by nationally and internationally recognised standards, were approved by Council. These documents can be consulted in the Collections' Office.

Analysis of heritage assets (Group and Royal Academy)

Works of art

	2019	2018	2017	2016
	£	£	£	£
Carrying amount at 1 September	679,000	391,000	46,000	-
Purchases	14,360	-	10,000	-
Gifts	448,750	288,000	335,000	46,000
Carrying amount at 31 August	1,142,110	679,000	391,000	46,000

17. Intangible fixed assets

Intangible assets include the Royal Academy's website and intranet costs, core system software and R.A. Enterprises Limited's Epos, e-commerce and stock management software. Additions during the year of £422,380 primarily relate to the cost of implementing new systems for selling and servicing tickets, membership and donations.

a. Group	Software
	£
Cost	
At 31 August 2018	1,799,003
Additions	422,380
At 31 August 2019	2,221,383
Amortisation	
At 31 August 2018	819,553
Charge for the year	443,927
At 31 August 2019	1,263,480
Net book value	
At 31 August 2019	957,903
At 31 August 2018	979,450
b. Royal Academy	Software
	£
Cost	
At 31 August 2018	1,259,062
Additions	390,132
At 31 August 2019	1,649,194
Amortisation	
At 31 August 2018	733,759
Charge for the year	261,093
At 31 August 2019	994,852
Net book value	
At 31 August 2019	654,342
At 31 August 2018	525,303

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

18. Tangible fixed assets

a. Group	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2018	22,322,733	1,992,317	58,629	24,975,102	49,348,781
Additions	467,314	932,703	-	679,501	2,079,518
Reclassifications	126,379	(281,754)	-	155,375	-
Transfers to 6 Burlington Gardens	-	(692,660)	-	-	(692,660)
Disposals	-	-	-	(255,719)	(255,719)
At 31 August 2019	22,916,426	1,950,606	58,629	25,554,259	50,479,920
Depreciation					
At 31 August 2018	4,588,943	-	36,436	8,887,421	13,512,800
Disposals	-	-	-	(255,719)	(255,719)
Charge for the year	1,183,752	-	10,145	2,367,097	3,560,994
At 31 August 2019	5,772,695	-	46,581	10,998,799	16,818,075
Net book value					
At 31 August 2019	17,143,731	1,950,606	12,048	14,555,460	33,661,845
At 31 August 2018	17,733,790	1,992,317	22,193	16,087,681	35,835,981

b. Royal Academy	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2018	22,060,322	1,992,317	36,944	24,553,378	48,642,961
Additions	467,310	920,573	-	676,038	2,063,921
Reclassifications	126,379	(281,754)	-	155,375	-
Transfers to 6 Burlington Gardens	-	(692,660)	-	-	(692,660)
Disposals	-	-	-	(255,719)	(255,719)
At 31 August 2019	22,654,011	1,938,476	36,944	25,129,072	49,758,503
Depreciation					
At 31 August 2018	4,326,539	-	34,027	8,471,317	12,831,883
Disposals	-	-	-	(255,719)	(255,719)
Charge for the year	1,183,752	-	2,917	2,364,476	3,551,145
At 31 August 2019	5,510,291	-	36,944	10,580,074	16,127,309
Net book value					
At 31 August 2019	17,143,720	1,938,476	-	14,548,998	33,631,194
At 31 August 2018	17,733,783	1,992,317	2,917	16,082,061	35,811,078

c. 6 Burlington Gardens (Freehold property)	6 Burlington Gardens
Group and Royal Academy	£
At 31 August 2018	64,082,048
Transfers from assets in course of construction	692,660
At 31 August 2019	64,774,708

In the opinion of the trustees, based on a valuation as at 31 August 2018 by an independent third party, the current open market value of the Royal Academy's interest in 6 Burlington Gardens exceeds the book value by approximately £10.2m. The Royal Academy would have no liability to taxation if the asset was sold at open market value on the basis that the proceeds were used to further the company's charitable activities.

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

19. Investments

The Royal Academy holds investments in subsidiaries at cost of £108 (2018: £108).

The Royal Academy beneficially owns all of the called up share capital of RA (Arts) Limited (02836364), R.A. Enterprises Limited (01666333) and Burlington House Limited (02216104), each of which is registered in England and Wales.

20. Stock

	Group		Royal Academy	
	2019	2018	2019	2018
	£	£	£	£
Finished goods and goods for resale	1,012,499	1,057,667	-	-
Artist donated artworks for resale	-	265,000	-	-
Total	1,012,499	1,322,667	-	-

21. Debtors

	Group		Royal Academy	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	1,432,251	1,402,492	825,271	292,566
Royal Academy related entities	-	-	1,183,738	1,888,951
Taxation	881,299	1,269,584	881,299	1,269,584
Staff loans	41,827	43,709	41,827	43,709
Sundry debtors	631,864	527,402	440,617	330,077
Prepayments and deferred expenditure	1,021,871	1,583,523	906,747	1,293,802
Total	4,009,112	4,826,710	4,279,499	5,118,689

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

22. Creditors - amounts falling due within one year

	Group		Royal Academy	
	2019	2018	2019	2018
	£	£	£	£
Bank loan	219,600	219,600	219,600	219,600
Revolving credit facilities	4,000,000	5,000,000	4,000,000	5,000,000
Trade creditors	1,526,027	1,468,320	1,188,048	1,168,332
Royal Academy related entities	-	-	159,601	5,176
The Friends of the Royal Academy	109,097	105,863	109,097	77,224
Royal Academy Trust	274,556	183,641	45,735	147,514
Taxation and social security	629,149	633,871	357,658	375,515
Sundry creditors	1,935,242	1,303,391	1,936,176	1,273,768
Accruals	2,912,219	3,813,820	2,730,599	3,660,862
Deferred income (i)	1,659,698	2,694,768	1,386,325	1,932,043
Total	13,265,588	15,423,274	12,132,839	13,860,034

A Masterplan Revolving Credit Facility of £5.0m was taken out in May 2017 to manage working capital requirements in relation to the Burlington Project. The facility which is available for a period of five years and which has been extended to June 2023, can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2019 this facility was drawn down by £4.0m (2018: £5.0m).

An Operating Revolving Credit Facility of £2.5m was taken out in March 2018 to manage operating working capital requirements. This facility is also available for a period of five years and can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2019, this facility had not been drawn down.

i. Deferred income in 2019 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Helene Schjerfbeck, Antony Gormley and Milton Avery and is analysed as follows:

	Brought forward	Amount added	Amount released	Carried forward
	£	£	£	£
Deferred income 2019	2,694,768	1,711,445	(2,746,515)	1,659,698
Deferred income 2018	2,717,021	2,429,768	(2,452,021)	2,694,768

23. Creditors - amounts falling due after more than one year

	Group		Royal Academy	
	2019	2018	2019	2018
	£	£	£	£
Sundry creditors	1,333,334	2,000,000	1,333,334	2,000,000
Bank loan	1,041,523	1,261,123	1,041,523	1,261,123
Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Total	12,374,857	13,261,123	12,374,857	13,261,123

Creditors include amounts not wholly repayable within 5 years as follows:

Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Bank loan repayable by instalments	163,123	382,723	163,123	382,723
Total	10,163,123	10,382,723	10,163,123	10,382,723

Sundry creditors relate to amounts falling due in 2020.

The bank loan was taken out in 2009 and is repayable in instalments by 2025. Interest of £27,820 (2018: £28,176) was charged in the year.

In December 2014, the company entered into an unsecured £10.0m loan facility agreement. This amount was advanced in December 2014 and is repayable in ten instalments of £1.0m each from 2035 until 2044, and has a fixed rate of interest of 4.21% p.a. This facility was used to fund exceptional operating costs during the Burlington Project construction phase and the plant upgrade / renewal programme for conditioning the Burlington House galleries. Interest of £421,000 (2018: £421,000) was charged in the year. The company remains compliant with its various loan covenants.

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

24. Analysis of net assets by fund

a. Group	Restricted		Designated	Unrestricted		Total
	Burlington Project	Other funds	General funds	General funds	Pension reserve	
	£	£	£	£	£	£
Heritage assets	-	1,142,110	-	-	-	1,142,110
Intangible assets	-	-	-	957,903	-	957,903
Tangible assets	1,699,825	-	-	96,736,728	-	98,436,553
Current assets	2,596,529	311,612	387,870	4,895,090	-	8,191,101
Current liabilities	-	-	-	(13,265,588)	-	(13,265,588)
Long term liabilities	-	-	-	(12,374,857)	-	(12,374,857)
Pension asset	-	-	-	-	5,798,000	5,798,000
Total	4,296,354	1,453,722	387,870	76,949,276	5,798,000	88,885,222

b. Royal Academy	Restricted		Designated	Unrestricted		Total
	Burlington Project	Other Funds	General funds	General funds	Pension reserve	
	£	£	£	£	£	£
Investments	-	-	-	108	-	108
Heritage assets	-	1,142,110	-	-	-	1,142,110
Intangible assets	-	-	-	654,342	-	654,342
Tangible assets	1,699,825	-	-	96,706,077	-	98,405,902
Current assets	2,596,529	311,612	387,870	4,089,645	-	7,385,656
Current liabilities	-	-	-	(12,132,839)	-	(12,132,839)
Long term liabilities	-	-	-	(12,374,857)	-	(12,374,857)
Pension asset	-	-	-	-	5,798,000	5,798,000
Total	4,296,354	1,453,722	387,870	76,942,476	5,798,000	88,878,422

25. Analysis of funds

a. Group	Opening funds	Transfers	Income	Expenditure	Other gains/ (losses)	Closing funds
	£	£	£	£	£	£
Restricted funds:						
Other funds	842,017	-	4,563,473	(3,951,768)	-	1,453,722
Burlington Project	3,556,813	(4,309,010)	5,067,936	(19,385)	-	4,296,354
Total restricted funds	4,398,830	(4,309,010)	9,631,409	(3,971,153)	-	5,750,076
Unrestricted funds:						
General funds (designated)	106,039	-	283,831	(2,000)	-	387,870
General funds	75,876,087	3,616,010	34,955,120	(37,932,492)	434,551	76,949,276
Pension reserve	5,948,000	693,000	-	-	(843,000)	5,798,000
Total unrestricted funds	81,930,126	4,309,010	35,238,951	(37,934,492)	(408,449)	83,135,146
Total funds	86,328,956	-	44,870,360	(41,905,645)	(408,449)	88,885,222

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2019 (continued)

25. Analysis of funds (continued)

b. Royal Academy	Opening funds	Transfers	Income	Expenditure	Other gains/ (losses)	Closing funds
	£	£	£	£	£	£
Restricted funds:						
Other funds	842,017	-	4,563,473	(3,951,768)	-	1,453,722
Burlington Project	3,556,813	(4,309,010)	5,067,936	(19,385)	-	4,296,354
Total restricted funds	4,398,830	(4,309,010)	9,631,409	(3,971,153)	-	5,750,076
Unrestricted funds:						
General funds (designated)	106,039	-	283,831	(2,000)	-	387,870
General funds	75,869,287	3,616,010	34,955,120	(37,932,492)	434,551	76,942,476
Pension reserve	5,948,000	693,000	-	-	(843,000)	5,798,000
Total unrestricted funds	81,923,326	4,309,010	35,238,951	(37,934,492)	(408,449)	83,128,346
Total funds	86,322,156	-	44,870,360	(41,905,645)	(408,449)	88,878,422

Burlington Project - Phase I was completed in 2018, with all Burlington Project - Phase I restricted and designated funds being transferred to unrestricted funds as specific identifiable assets were brought into service and as such, the restrictions on these funds have been satisfied. The remaining restricted funds are in respect of later phases and other projects forming part of the overall Burlington Project.

Other restricted funds include donations of £837,456 (2018: £839,807) received from the Royal Academy Trust, other donations of £2,931,718 (2018: £2,563,456) and grants of £812,299 (2018: £139,116) received for specific and general activities as disclosed in notes 5 and 6 respectively. Any unused funds received from the Royal Academy Trust in the year have been donated back to the Royal Academy Trust. The remaining balance in restricted funds relates to the Swanston bequest (£24,564 (2018: £24,564)); the Royal Academy architecture awards (£233,579 (2018: £17,260)); the Hambro Summer Exhibition Online project (£29,582 (2018: £49,834)); the artist in residence exchange programme (£18,803 (2018: £66,275)); the ongoing Library project (£5,084 (2017: £5,084)) and heritage assets (£1,142,110 (2018: £679,000)).

The Swanston bequest was established in 2014 from a legacy of £60,000. The bequest is being used for curating and publishing costs associated with the *Taddei Tondo*.

The Royal Academy architecture awards were established in 2018 from a donation of £60,000; a further donation of £255,000 has been received in 2019. The awards take place annually for five years and the monies are being used towards the management and running costs of the Royal Academy architecture awards, including architecture awards week where the winner of the Royal Academy Architecture Prize and the finalists for the Royal Academy Dorfman Award come to London from around the world to partake in a week of events and activities and receive their prizes. £10,000 of the money is given to the winner of the Royal Academy Dorfman Award each year.

The Hambro Summer Exhibition online project was established in 2018 from a donation of \$67,620 (£51,516). The project relates to the creation of an online exhibition for children which went live in 2019. The general designated funds relate to a legacy of £88,039 received in 2018 designated by Council in support of the study and research in art and architecture to the Royal Academy Schools; and a legacy of £20,000 received in 2018 designated as an annual travel prize of £2,000 for students of the Royal Academy Schools, the first prize was awarded in 2018. It is anticipated that the former will be spent over a period of five years, the latter over a period of 10 years. With effect from 1 September 2018, Council has designated that future legacies will be set aside as an expendable endowment for the general objectives of the Royal Academy. As an expenditure endowment, Council has the discretion to spend the capital.

26. Administered funds

The Royal Academy has six funds which have not been consolidated within the financial statements of the Royal Academy, on the basis that while the Royal Academy is administering the funds, it is not the ultimate beneficiary. However, as the funds are administered by the Royal Academy, these have been disclosed separately below for information.

These funds consist of the following:

Frampton Fund
Agnes Ethel MacKay Fund
Jack Goldhill Sculpture Fund
Charles Wollaston Award Fund
Pitchforth Scholarship Fund
Sir John Reeves Ellerman Fund

	2019	2018
	£	£
Income from investments	24,080	30,318
Expenditure	(87,801)	(64,094)
Net (losses) / gains on investments	(4,557)	209,498
Net (expenditure) / income	(68,278)	175,722
Total funds brought forward	4,110,274	3,934,552
Total funds carried forward	4,041,996	4,110,274

Represented by:

Investments	3,717,676	3,722,232
Cash at bank	83,874	67,961
Debtors	289,023	334,922
Creditors	(48,577)	(14,841)
Total funds	4,041,996	4,110,274

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2019 (continued)

27. Reconciliation of net income to net cash inflow from operating activities

	2019	2018
	£	£
Net income	2,964,715	6,644,157
Heritage assets gifts	(448,750)	(288,000)
Amortisation of intangible assets	443,927	233,236
Depreciation of tangible assets	3,560,994	3,759,374
Loss on disposal of tangible assets	-	85,168
Current pension service income	(168,000)	(81,000)
Pension contributions paid	(525,000)	(505,000)
Decrease / (increase) in stock	310,168	(324,122)
Decrease in debtors	1,214,271	1,936,493
(Decrease) / increase in creditors	(1,824,352)	205,601
Interest paid	618,889	442,410
Interest received	(21,151)	(18,175)
Net cash provided by operating activities	6,125,711	12,090,142

28. Pension costs

The Royal Academy, together with its subsidiary undertakings, participates in a funded defined benefit pension scheme, operated by the Royal Academy of Arts Pension Scheme (the "Scheme"), providing benefit based on final pensionable salary. The assets of the Scheme are held independently from those of the Royal Academy.

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to the members' final salary at retirement and their length of service up to the date on which the Scheme closed to future accrual, being 30 September 2016.

The Scheme is a registered scheme under UK legislation and was not contracted out of the State Sector Pension prior to the cessation of contracting out from 6 April 2016.

The Scheme is subject to the scheme funding requirements outlined in UK legislation.

The Scheme was established from 3 January 1985 under trust and is governed by the Scheme's definitive trust deed and rules dated 31 March 1998. The trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

A full actuarial valuation of the Scheme was carried out as at 31 August 2016 and has been updated to 31 August 2019 by a qualified independent actuary. The next full actuarial valuation of the Scheme will be as at 31 August 2019.

The value of the liabilities at the reporting date have been estimated by updating the results of the actuarial valuation as at 31 August 2016 to allow for the passage of time, actual inflation experience, benefits paid out of the Scheme and changes in actuarial assumptions over the period from 31 August 2016 to 31 August 2019.

Since June 2006 the Scheme has been closed to new members and closed to future accrual on 30 September 2016.

The major assumptions used by the actuary were (in nominal terms) as follows:	2019	2018
Discount rate	1.8%	2.7%
Inflation assumption (RPI)	3.2%	3.2%
Inflation assumption (CPI)	2.2%	2.2%
Rate of increase in salaries	3.2%	3.2%
Pension increases for service accrued:		
Pre 6 April 1997	2.4%	2.4%
6 April 1997 to 30 September 2006	3.1%	3.1%
Post 30 September 2006	2.1%	2.1%
Assumed life expectancies on retirement at age 60 are:		
Retiring in 2020 - Males	27.4	26.7
Retiring in 2020 - Females	29.4	28.8
Retiring in 2040 - Males	28.9	28.3
Retiring in 2040 - Females	30.9	30.4

The assumptions used in determining the overall expected return of the Scheme's assets have been set with reference to yields available on government bonds and appropriate risk margins.

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

28. Pension costs (continued)

The assets in the Scheme were:	2019	2018
	£	£
Equities or equivalent	29,942,000	30,784,000
Corporate bonds	6,115,000	4,102,000
Cash	3,464,000	1,774,000
LDI funds	11,281,000	6,400,000
Fair value of Scheme assets	50,802,000	43,060,000
Present value of funded obligations	(45,004,000)	(37,112,000)
Surplus in funded Scheme	5,798,000	5,948,000
Net asset in balance sheet	5,798,000	5,948,000

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:	2019	2018
	£	£
Benefit obligation at beginning of year	37,112,000	38,544,000
Interest cost	991,000	955,000
Actuarial losses / (gains)	7,694,000	(1,670,000)
Benefits paid	(793,000)	(717,000)
Benefit obligation at end of year	45,004,000	37,112,000

Reconciliation of opening and closing balances of the fair value of Scheme assets:	2019	2018
	£	£
Fair value of Scheme assets at beginning of year	43,060,000	41,553,000
Interest income on Scheme assets	1,159,000	1,036,000
Return on assets, excluding interest income	6,851,000	683,000
Contributions by employer	525,000	505,000
Benefits paid	(793,000)	(717,000)
Fair value of Scheme assets at end of year	50,802,000	43,060,000

The amounts recognised in the SOFA:	2019	2018
	£	£
Net interest on the net defined benefit liability	(168,000)	(81,000)
Total income	(168,000)	(81,000)

Remeasurement of the defined benefit pension scheme asset:	2019	2018
	£	£
Actuarial losses / (gains) on the liabilities	7,694,000	(1,670,000)
Return on assets, excluding interest income	(6,851,000)	(683,000)
Total remeasurement of the defined benefit pension scheme asset	843,000	(2,353,000)

**The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2019 (continued)**

29. Authorised and contracted capital expenditure

Group and Royal Academy	Total project cost	Assets in service	Assets in course of construction	Authorised but not contracted for	Contracted for	Unauthorised
	£	£	£	£	£	£
Plant upgrades	6,972,765	6,734,114	238,651	-	-	-
Minor projects	2,133,417	1,877,189	-	-	256,228	-
Burlington Project - Phase II	22,000,000	-	974,586	-	-	21,025,414
Burlington Project - Phase III	5,000,000	-	486,194	-	-	4,513,806
Other Burlington Projects:						
Collections Display	621,390	382,346	239,045	-	-	-
Façade and entrance hall	2,000,000	-	-	-	-	2,000,000
Total	38,727,572	8,993,649	1,938,476	-	256,228	27,539,220

Burlington Project - Phase II, which is the redevelopment of the Royal Academy Schools, is currently at an early design stage. Total costs are estimated at £22.0m but further expenditure on this has not been authorised pending further design work and capital fundraising.

Burlington Project - Phase III, which is the redevelopment of the Collection Gallery, is currently at an early design stage. Total costs are estimated at £5.0m and this has been fully fundraised for and is held in the Royal Academy Trust until required by the Royal Academy. £0.5m was donated by the Royal Academy Trust in 2018, with a further £0.5m in the year in respect of costs incurred to date, with the remaining £4.0m held and invested by the Royal Academy Trust until required by the Royal Academy.

The façade and entrance hall project is in respect of the restoration and refurbishment of elements of the Burlington House entrance hall including the stairs and the cleaning of the Burlington House façade. This project is at a preliminary design stage but £2.0m has been fundraised towards the cost of this and is included in cash at bank.

30. Contingent liabilities

The Royal Academy and its subsidiaries had no contingent liabilities as at 31 August 2019 (2018: none).

31. Financial commitments

At 31 August total commitments under operating leases were as follows:

a. Group	Land and buildings	Other	Total 2019	Land and buildings	Other	Total 2018
	£	£	£	£	£	£
Under one year	40,520	436,132	476,652	40,520	440,174	480,694
Two to five years	19,649	1,280,293	1,299,942	60,169	1,329,678	1,389,847
Over five years	-	174,247	174,247	-	474,247	474,247
Total	60,169	1,890,672	1,950,841	100,689	2,244,099	2,344,788

b. Royal Academy	Land and buildings	Other	Total 2019	Land and buildings	Other	Total 2018
	£	£	£	£	£	£
Under one year	40,520	381,934	422,454	40,520	385,976	426,496
Two to five years	19,649	1,203,204	1,222,853	60,169	1,212,790	1,272,959
Over five years	-	174,247	174,247	-	474,247	474,247
Total	60,169	1,759,385	1,819,554	100,689	2,073,013	2,173,702

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2019 (continued)

32. Financial instruments

The financial statements include the following financial instruments at 31 August:

	Group		Royal Academy	
	2019	2018	2019	2018
	£	£	£	£
Financial assets measured at amortised cost	2,105,942	1,973,603	2,491,453	2,555,303
Financial liabilities measured at amortised cost	23,351,598	25,355,758	22,763,713	24,813,599
Financial assets measured at fair value	-	-	108	108

33. Related party transactions

Those in positions of authority within the Group, including trustees, Council members and directors, use facilities of the Group on the same terms as other Academicians, Friends, Patrons or external customers. This includes access to exhibitions, purchases from shops, Summer Exhibition, and auctions, and also the use of catering facilities. For the year ended 31 August 2019, all transactions with related parties are considered within the scope of normal transactions.

Income of £763,939 (2018: £1,339,820) was received from R.A. Enterprises Limited, being a distribution of 100% of their net income for the year. In addition, R.A. Enterprises Limited was recharged salaries of £2,271,846 (2018: £2,093,578) and other expenses of £123,713 (2018: £206,836). At the year end, £1,093,403 (2018: £1,805,259) was owed and included within the Royal Academy's debtors.

Income of £314,184 (2018: £259,081) was received from Burlington House Limited, being a distribution of 100% of their net income for the year. In addition, Burlington House Limited recharged expenses of £2,708 (2018: £14,858). At the year end, £159,601 (2018: £5,176) was outstanding and included within the Royal Academy's creditors.

Income of £2,200,672 (2018: £1,648,782) was received from RA (Arts) Limited, being a distribution of 100% of their net income for the year. In addition, RA (Arts) Limited was recharged to the Royal Academy expenses of £28,255 (2018: £370,104). At the year end, £90,358 (2018: £83,692) was owed and included within the Royal Academy's debtors.

Income of £11,571,381 (2018: £11,146,587) was received from The Friends of the Royal Academy, being a donation of 100% of their net income for the year. In addition, The Friends of the Royal Academy reimbursed salary and other expenses recharged of £619,874 (2018: £523,778). At the year end, £109,097 (2018: £77,224) was outstanding and included within creditors.

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

During the year, the Royal Academy received income of £1,937,456 (2018: £4,839,807) from the Royal Academy Trust with donations of £600,000 towards Burlington Project - Phase I (2018: £3,500,000); £500,000 towards Burlington Project - Phase III (2018: £500,000); and £837,456 (2018: £839,407) further donations to support various campaigns and projects undertaken. Donations of £18,666 to the Royal Academy Trust (2018: £31,454) relates to unspent funds from the cataloguing project. At the year end, £45,735 (2018: £147,514) was outstanding and included within the Royal Academy's creditors.

The trustees donated a total of £5,000 (2018: £4,500) to the Royal Academy during the year. Of these amounts, £5,000 (2018: £nil) was donated towards the RA Schools, £nil (2018: £2,500) was donated towards the Burlington Project - Phase I and £nil (2018: £2,000) was free from any conditions.

Annual Accounts 2018/2019

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