

**ROYAL NORTHERN COLLEGE OF MUSIC
ENDOWMENT FUND**

Financial Statements

31 July 2021

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REFERENCE AND ADMINISTRATIVE DETAILS

LEGAL STATUS

The Charity is a trust regulated by Schemes of the Charity Commissioners for England and Wales dated 6 October 1975, 22 October 1992 and 15 March 1999.

INVESTMENT POWERS

The charity has general power of investment in accordance with section 3 of the Trustee Act 2000.

CHARITY COMMISSION REGISTRATION

Registered Number 504949

ADDRESS OF THE CHARITY

124 Oxford Road
Manchester
M13 9RD

TRUSTEE

Royal Northern College of Music

The Governors of the Royal Northern College of Music who were in office during the year are listed in the Royal Northern College of Music Consolidated Financial Statements for the year ended 31 July 2021 a copy of which are available at www.rncm.ac.uk.

LEGAL AND ADMINISTRATIVE DETAILS

BANKERS

Royal Bank of Scotland
38 Mosley Street
Manchester
M2 3AZ

EXTERNAL AUDITORS

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

INVESTMENT MANAGERS

Waverton
21 St James's Square
London
SW1Y 4HB

SOLICITORS

Mills and Reeve
8th Floor
1 New York Street
Manchester
M1 4AD

TRUSTEE'S REPORT
Year ended 31 July 2021

The Trustee of the Royal Northern College of Music Endowment Fund presents its annual report and audited financial statements for the year ended 31 July 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Northern College of Music Endowment Fund is constituted under a trust scheme dated 22 October 1992 and is a registered charity number 504949.

The College Board of Governors, the sole Trustee of the Endowment Fund, when appointing the members of its Finance and Audit Committees, has regard to ensuring that the skills and experience thus available to them is sufficient and appropriate to their terms of reference. The Board also undertakes periodic reviews of its own effectiveness, and that of its committees, in fulfilling their roles.

The Trustee confirms that it is a public benefit entity and has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting the grant making policy for the year.

OBJECTIVE AND ACTIVITIES

The objective of the Fund is to apply its income in such ways as the Trustee considers fit for the general purposes of the Royal Northern College of Music and the Junior School at the Royal Northern College of Music and in the advancement of the education of its students and former students.

RISK MANAGEMENT

The Trustee has considered the major risks faced by the charity and believes that the principal threat to its ability to achieve its objectives lies in its ability to maintain its revenues from investments and donations.

In order to monitor this risk, regular meetings are held with the investment manager adviser and the Trustee is represented on the Board of Governors of the Associated Board of the Royal Schools of Music.

Risks for individual funds are considered within the College's overall risk monitoring and reporting procedures, and any strategic risks identified will be contained within the College's Risk Register, which also contains details of the controls put into place by the College in order to mitigate those risks. This register is then scored using the best practice scoring methodology, which seeks to identify particularly those risks which require further attention. The Register is formally reported to the College's Board of Governors.

GRANT MAKING POLICY

The Trustee considers requests for assistance made by the Royal Northern College of Music and other approved grantees and, when offering support, gives preference to those projects and activities which enhance the long term standing and profile of the College.

There is no private benefit accruing either to the Trustee of the College or the members of the College who form the committee which requests assistance.

RELATED PARTIES AND CONNECTED CHARITIES

The Royal Northern College of Music is the sole Trustee of the Endowment Fund. One of the objectives of the Endowment Fund is to apply income, as the Trustee considers fit, for the general purpose of the College.

TRUSTEE'S REPORT
Year ended 31 July 2021

ACHIEVEMENTS AND PERFORMANCE

Unrestricted income for the year ended 31 July 2021 was £451,966. Of this £409,087 was derived from legacies and donations and the balance of £42,879 arose from investments held both as part of the permanently endowed capital and unrestricted funds of the charity and bank balances held as both endowed capital and undistributed income. Gains on unrestricted investments were £237,008 and after accounting for charitable activities and legal fees of £357,461 and investment management fees of £9,456, a gain of £322,057 was added to previously accumulated surpluses.

Restricted income of £168,341 arose during the year. Of this £101,871 was derived from grants, donations and legacies which were allocated by the donor for specific purposes and the balance of £66,470 from investments and bank balances held. Gains on restricted investments were £271,534 and after accounting for charitable activities and bank charges of £159,817 and investment management fees of £10,945 a gain of £269,113 was added to previously accumulated surpluses.

Gains on endowment investments were £159,079 and after accounting for these and investment management fees of £6,374, the value of the Endowment Fund increased to £1,144,137 at 31 July 2021.

The achievements of each fund in qualitative terms are that they widen the access to the College such that we at least meet our objectives within the Office for Fair Access agreement, maintain the College's extremely high retention and achievement rates at over 95%, and also allow for the development of world-class performers of all disciplines as well as significantly increasing employability.

GOING CONCERN

The Charity's financial statements are prepared on a going concern basis as the Trustee is satisfied after making appropriate enquiries that, at the time of their approval, the Charity has the resources to continue in operation for the foreseeable future.

Despite the Covid-19 pandemic, the two main sources of income for the fund, donations and investment income, have not been materially impacted. The funds have minimal operating costs and with reserves of over £16m, it is entirely appropriate to adopt the going concern basis for the 2020/21 financial statements.

INVESTMENT POLICY

The investments are intended to provide an income which, together with the capital can be used to finance the running of the charity.

The Trustee recognises the risk associated with investment in mainstream financial markets and accepts this risk in return for the prospect of additional returns over longer periods of time. As such, the Trustee wishes to remain largely invested at all times, subject to cash reserves being held as part of the investment management process and to cover liabilities. The investments of the Fund should be well diversified and include a range of assets including fixed interest stocks, UK shares and overseas shares. Although capital appreciation is not a primary objective, taking one year with another both the income and the capital value of the fund should, at a minimum, increase in line with inflation.

TRUSTEE'S REPORT
Year ended 31 July 2021

Both the implementation of and performance against this policy, and the extent to which it remains a reasonable aspiration, are reviewed with the investment advisor on a regular basis. Following the appointment of Waverton in March 2013 we have adopted a 'balanced' approach, as defined by their guidelines. Over the long term, the objective is to achieve a return of inflation plus 3%, with inflation defined as the UK Consumer Price Index (CPI). The agreed benchmark to measure shorter term performance is a composite of a 'neutral' position of 60% in Global Equities (MSCI AC World Index) 25% Fixed Income (12.5% Markit iBoxx Gilts Index, 12.5% Markit iBoxx £ Corporate Bond Index) and 15% Cash (1 month £ cash deposit).

The portfolio recorded a positive return during the 12 month period to 31 July 2021, rising in value by +17.5% (+17.2% Jellis Portfolio), which was well ahead of the primary objective (CPI+3%) which returned +5.0%. The portfolio outperformed its composite benchmark which returned +14.7%. The portfolio benefited from its exposure to global equities, which recovered strongly from their sharp falls in early 2020 and returned +27.0% over the year, +1.3% ahead of the MSCI index. The equity element makes up the largest proportion of the portfolio. Bond returns were also supportive, with the bond exposure rising by +1.6%, despite the comparative index declining by -0.9%. Alternative assets (property, infrastructure and gold) also recorded a positive return, rising by +6.2%.

RESERVES POLICY

It is the policy of the Trustee to seek to maintain undesignated unrestricted funds, which are the free reserves of the charity, at a level of £1,000,000 which would enable the Trustee to support the Royal Northern College of Music for a further year in the event that the revenues of the charity should decline or fail. Undesignated unrestricted funds were £10,586,952 at 31 July 2021.

The College will endeavour to meet the targets set out above over the period of the next two years both by reviewing its expenditure policies and reviewing and where necessary changing the type and mix of investment vehicles used. This will be achieved while still complying with regard to the aims and objectives of the Fund.

FUTURE DEVELOPMENTS

The accumulated unrestricted funds at 31 July 2021 amounted to £12,861,952 of which £2,275,000 is classed as designated funds and relates to the holding of the share in the Associated Board of the Royal Schools of Music. The Trustee intends further to continue to support the College's new building projects and to provide support for selected activities of the College and for its students.

AVAILABILITY AND ADEQUACY OF ASSETS OF EACH OF THE FUNDS

In the opinion of the Trustee the assets of each fund are available and adequate to fulfil their obligations. There are no contingent liabilities or guarantees. See note 1 for an explanation of the types of fund maintained by the charity.



By Order of the Trustee

Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements

Under charity law, the Trustee is responsible for preparing a Trustee's Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period. The Trustee has elected to prepare the financial statements in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011.

In preparing these financial statements, generally accepted accounting practice entails that the Trustee:

- selects suitable accounting policies and then apply them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- states whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assesses the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- uses the going concern basis of accounting unless they either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

The Trustee is required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustee to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Trustee of Royal Northern College of Music Endowment Fund

Opinion

We have audited the financial statements of Royal Northern College of Music Endowment Fund (the 'charity') for the year ended 31 July 2021 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustee is responsible for the other information. The other information comprises the information included in the Trustee's Report, other than the financial statements and our auditor's report thereon. 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.

Opinions 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 Trustee's Report which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustee's Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustee's Report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustee

As explained more fully in the trustee's responsibilities statement set out on page 6, the trustee (who is also the director of the charitable company for the purposes of company law) is 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 trustee determines 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 trustee is responsible for assessing the charity'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 trustee either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the charity and its activities, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011, the Charities Statement of Recommended Practice, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the trustee's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to use of restricted and endowment funds, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the trustee and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the charity which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the trustee and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the 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 Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Trustee as a body for our audit work, for this report, or for the opinions we have formed.

DRA Bott (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

Date:

STATEMENT OF FINANCIAL ACTIVITIES

	Note	Year Ended 31 July 2021				Year Ended 31 July 2020			
		Unrestricted	Restricted	Endowment	Total	Unrestricted	Restricted	Endowment	Total
		Funds	Funds	Funds		Funds	Funds	Funds	
		£	£	£	£	£	£	£	£
INCOMING RESOURCES									
Incoming resources from generated funds									
Voluntary Income		409,087	101,871	-	510,958	258,273	318,386	-	576,659
Investment Income		42,879	66,470	-	109,350	60,161	73,480	-	133,641
Total Incoming Resources		451,966	168,341	-	620,307	318,434	391,866	-	710,300
RESOURCES EXPENDED									
Cost of generating funds									
Investment management costs		9,456	10,945	6,347	26,747	8,542	9,209	5,733	23,484
Charitable activities	2	351,140	159,817	-	510,957	21,600	537,882	-	559,482
Governance costs -									
Audit/Legal fees		6,167	-	-	6,167	5,400	-	-	5,400
Bank charges		154	-	-	154	115	37	-	152
Total Resources Expended		366,917	170,761	6,347	544,025	35,657	547,128	5,733	588,518
NET INCOMING RESOURCES FOR THE YEAR		85,049	(2,420)	(6,347)	76,282	282,777	(155,262)	(5,733)	121,782
OTHER RECOGNISED GAINS AND LOSSES									
Gains on revaluations and disposals of investments held for charity use:									
Gain on sale of investments		12,991	17,166	8,720	38,877	44,988	41,565	30,196	116,749
Less: Previously accounted for as an Unrealised (gain)		(57,740)	(69,713)	(38,755)	(166,207)	(40,859)	(50,361)	(27,424)	(118,644)
Realised from investments		(44,749)	(52,546)	(30,035)	(127,330)	4,129	(8,796)	2,772	(1,895)
Unrealised from investments		281,756	324,080	189,114	794,950	14,150	40,311	9,497	63,958
TOTAL INVESTMENT (LOSSES) / GAINS		237,008	271,534	159,079	667,620	18,279	31,515	12,269	62,063
NET MOVEMENTS IN FUNDS FOR THE YEAR		322,057	269,113	152,732	743,902	301,056	(123,747)	6,536	183,845
TOTAL FUNDS AT 1 AUGUST		12,539,895	2,586,761	991,405	16,118,061	12,238,839	2,710,508	984,869	15,934,216
TOTAL FUNDS AT 31 JULY	9	12,861,952	2,855,874	1,144,137	16,861,963	12,539,895	2,586,761	991,405	16,118,061

All amounts derive from continuing activities.

BALANCE SHEET
Year ended 31 July 2021

	Note	As at 31 July 2021		As at 31 July 2020	
		£	£	£	£
FIXED ASSETS					
<i>Investments</i>					
Quoted: at market value	3	5,030,769		4,389,699	
Unquoted: ABRSM at historical cost		<u>2,275,000</u>		<u>2,275,000</u>	
			<u>7,305,769</u>		<u>6,664,699</u>
CURRENT ASSETS					
Debtors	4	2,014,525		2,831,273	
Cash at bank and in hand		<u>7,549,318</u>		<u>6,629,540</u>	
			<u>9,563,843</u>		<u>9,460,813</u>
CURRENT LIABILITIES					
Creditors and accruals	5	7,649		7,451	
NET CURRENT ASSETS					
			<u>9,556,194</u>		<u>9,453,362</u>
			<u><u>16,861,963</u></u>		<u><u>16,118,061</u></u>
CAPITAL FUNDS					
Endowment fund	6		1,144,137		991,405
INCOME FUNDS					
Restricted		2,855,874		2,586,761	
Unrestricted		12,861,952		12,539,895	
			<u>15,717,826</u>		<u>15,126,656</u>
TOTAL FUNDS					
	8		<u><u>16,861,963</u></u>		<u><u>16,118,061</u></u>

The financial statements on pages 10 to 17 were approved on 23 November 2021




1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011.

These financial statements are consolidated with the Royal Northern College of Music financial statements, a copy of which are available at www.rncm.ac.uk

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments to market value.

Fund accounting

The charity maintains various types of funds as follows:

Endowment funds

Endowment funds represent resources which have been made available and which the Trustee is legally required to invest or retain for the purposes of the charity.

Restricted funds

Restricted funds represent income which has been allocated by the donor for specific purposes.

Unrestricted funds

Unrestricted funds, which include the income derived from the endowment funds, represent resources which are expendable at the discretion of the Trustee in the furtherance of the objectives of the charity.

Incoming Resources

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt. When a claim for repayment of income tax has been, or will be, made such income is grossed up for the tax recoverable. Where income is received relating to a future accounting period, the statement of financial activities shows the gross amount received together with the change in amount deferred to future accounting periods. Deferred income at the year end is included in creditors. The following accounting policies are applied to income.

Legacies and donations

Legacies and donations are accounted for when conditions for their receipt have been met. Material items receivable at the year end are included at an estimated value of the amount to be received.

Investment income

Investment income is accounted for when receivable and includes any related tax recoverable.

Resources expended

Direct charitable expenditure

Direct charitable expenditure includes all expenditure directly related to the objectives of the charity.

Grants Payable

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure. Recipients of grants payable are primarily the Royal Northern College of Music and the Junior School at the Royal Northern College of Music.

Other expenditure

Other expenditure comprises professional fees and miscellaneous expenses. The administration of the charity is undertaken by staff employed by the Royal Northern College of Music using facilities provided by that body. The value of this support has not been quantified.

1 ACCOUNTING POLICIES (continued)

Investments

Investments within the scope of Section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at the transaction price (adjusted for transaction costs except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit and loss) unless the arrangement constitutes, in effect, a financing transaction. Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the statement of comprehensive income

The unquoted investment in ABRSM is stated at historical cost.

Charitable commitments

Commitments which are legally binding on the Trustee are accounted for as resources expended in the statement of financial activities. Where the promise of financial support is not binding on the Trustee, such intentions are accounted for by a transfer to a designated reserve. Activities that are to be wholly financed from future income do not form part of such designation and are disclosed in a note to the accounts.

Associated Undertaking

The unquoted investment in the Associated Board of the Royal Schools of Music (ABRSM) is valued by the Trustee at cost. The investment represents a quarter share in the charitable company.

Taxation

The Royal Northern College of Music Endowment Fund is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Key Management Personnel

In these financial statements, the Endowment Fund is considered to be a qualifying entity (for the purposes of FRS102) and has applied the exemptions available under FRS102 in respect of the key management personnel disclosure.

Cash Flow

In these financial statements, the Endowment Fund is considered to be a qualifying entity (for the purposes of FRS102) and has applied the exemptions available under FRS102 in respect of preparing a cash flow statement.

Accounting Estimates and Judgements

The Charity has not identified any accounting estimates or judgements that would significantly affect the amounts recognised in the financial statements.

Going Concern

The Trustee has assessed the ability of the Charity to continue as a going concern, considering events and conditions that may cast significant doubt upon its ability to do so for the period to July 2023. Based on its appropriate enquiries the Trustee is satisfied that, at the time of their approval, the Charity has the resources to continue in operation for the foreseeable future. Consequently these accounts have been prepared on a going concern basis.

NOTES TO THE ACCOUNTS
Year ended 31 July 2021

2 GRANTS PAYABLE

	Year Ended 31 July 2021			Year Ended 31 July 2020		
	Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
	£	£	£	£	£	£
Projects and Events	351,140	159,817	510,957	21,600	330,552	352,152
RNCM Awards Fund	-	-	-	-	207,330	207,330
	351,140	159,817	510,957	21,600	537,882	559,482

3 INVESTMENTS HELD AS FIXED ASSETS

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£	£
Opening market value	4,389,699	4,351,850
Additions at cost	680,508	932,263
Disposals at opening market value	(465,372)	(1,297,343)
Unrealised gains	794,950	64,099
Movement on cash	(369,015)	338,830
Closing market value	5,030,770	4,389,699
Historical cost	3,585,202	3,543,630
Unquoted investment		
Associated Board of the Royal Schools of Music	2,275,000	2,275,000

Quoted investments are valued at market value at the year end. The unquoted investment in the Associated Board of the Royal Schools of Music (ABRSM) is valued by the Trustee at cost. The investment represents a quarter share in the charitable company. The Trustee performed an impairment review in 2020/2021 and considers that there is no requirement to impair its investment in ABRSM.

Summary details of investments held at 31 July 2021 are as follows:

	Cost	Market Value
	£	£
Bonds	668,259	704,440
UK Equities	312,689	418,090
Continental European Equities	297,834	500,659
North American Equities	993,324	1,690,033
Japanese Equities	371,037	470,913
Asia Pacific Equities	147,755	304,066
Alternatives	698,058	846,321
Cash & Cash Holdings	96,247	96,247
	3,585,203	5,030,769

NOTES TO THE ACCOUNTS

Year ended 31 July 2021

4 DEBTORS

	Year Ended 31 July 2021	Year Ended 31 July 2020
Investment income, accrued interest and tax recoverable	£ 14,525	£ 31,273
Inter-company loan	2,000,000	2,800,000
	<u>2,014,525</u>	<u>2,831,273</u>

5 MOVEMENT IN ENDOWMENT FUNDS

Endowment funds comprise resources which have been made available and which the Trustee is legally required to invest or retain for the purposes of the charity. All endowment funds, which are represented by investments held as fixed assets and, to a limited extent, cash are permanent as the Trustee has no power to convert them into income.

Movements for the year are set out in the Statement of Financial Activities on page 10 of this document.

6 MOVEMENT IN RESTRICTED FUNDS

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purposes. Expenditure from restricted funds is entirely related to prizes, bursaries and scholarships.

	Balance		Investment		Balance
	31-Jul-20	Income	Gains	Expenditure	31-Jul-21
	£	£	£	£	£
Junior Strings Project Instruments	21,303				21,303
JRNCM : Estate of Mrs K Knibbs	12,407			900	11,507
Foundation for Sports and Arts	22,952				22,952
Chris Rowland Masterclass	53,905				53,905
Piano Competition	400,048				400,048
Concert Hall Refurbishment Fund	1,200	450			1,650
The National Foundation for Youth Music	6,933				6,933
Brass Ensemble & Jazz concerts	615				615
Albert & Eugenie Frost Trust	38,096			10,000	28,096
Gala Dinner	35,845				35,845
Instrument Loan Scheme	12,046	3,300			15,346
Entrepreneurship Fund	4,514	1,000		2,000	3,514
Michael Kennedy Memorial	2,381				2,381
JRNCM Bursaries	4,500				4,500
RNCM Engage	18,932				18,932
PRS Foundation (Brass Band)	5,024	5,000			10,024
William Waterhouse Int Chair	11,344			11,344	-
Dullator	28,095			28,095	-
Garfield Weston	75,000				75,000
Student Support	21,488	7,800			29,288
Pathfinder	13,450	76,000			89,450
Other	214,345	39,667	16,891	8,674	262,229
Jellis Bequest	1,582,338	35,124	254,643	109,749	1,762,356
	<u>2,586,761</u>	<u>168,341</u>	<u>271,534</u>	<u>170,762</u>	<u>2,855,874</u>

NOTES TO THE ACCOUNTS

Year ended 31 July 2021

7 MOVEMENT IN UNRESTRICTED FUNDS

The Trustee has designated part of the general funds as separate funds representing the amount invested by the Fund in the Associated Board of the Royal Schools of Music.

	Balance 31-Jul-20 £	Income £	Gains £	Expenditure £	Balance 31-Jul-21 £
Associated Board of the Royal Schools of Music	2,275,000	-	-	-	2,275,000
General Fund	10,264,895	451,966	237,008	366,917	10,586,952
Total unrestricted funds	12,539,895	451,966	237,008	366,917	12,861,952

8 ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

	Year Ended 31 July 2021				Year Ended 31 July 2020				Total £
	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total £	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total £	
Fixed Assets									
Investments	1,145,023	2,179,805	3,980,941	7,305,769	992,243	1,919,137	3,753,319	6,664,699	
Current Assets									
Debtors	-	702	2,013,823	2,014,525	-	6,626	2,824,647	2,831,273	
Cash	(352)	676,287	6,873,383	7,549,318	(352)	661,839	5,968,053	6,629,540	
Current Liabilities									
Creditors and accruals	(534)	(920)	(6,195)	(7,649)	(486)	(841)	(6,124)	(7,451)	
	1,144,137	2,855,874	12,861,952	16,861,963	991,405	2,586,761	12,539,895	16,118,061	

9 TAXATION

The Royal Northern College of Music Endowment Fund, as a registered charity, is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives.

No tax charge has arisen in the year.

10 RELATED PARTY TRANSACTIONS AND CONNECTED CHARITIES

The Royal Northern College of Music is the sole Trustee of the Endowment Fund. One of the objectives of the Endowment Fund is to apply income, as the trustee considers fit, for the general purpose of the College.

NOTES TO THE ACCOUNTS

Year ended 31 July 2021

11 FINANCIAL INSTRUMENTS

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£	£
<u>Financial assets</u>		
Investments measured at fair value through income and expenditure		
Investments in listed ordinary shares	3,383,760	2,580,124
Investments in common investment funds	1,647,009	1,809,575
Cash and cash equivalents	7,549,318	6,629,540
Total financial assets	12,580,087	11,019,239

Income, expenditure, gains and losses in respect of financial instruments are summarised below:

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£	£
<u>Interest</u>		
Interest income	109,350	133,641
	109,350	133,641
<u>Gains</u>		
On financial assets measured at fair value through income and expenditure	667,620	62,063
	667,620	62,063