

**THE ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**Charity Number 504949**

Financial Statements

31 July 2022

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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 2022 a copy of which are available at [www.rncm.ac.uk](http://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  
No. 1 Circle Square  
3 Symphony Park  
Manchester  
M1 7FS

**TRUSTEE'S REPORT**  
Year ended 31 July 2022

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 2022

**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 2022

**ACHIEVEMENTS AND PERFORMANCE**

Unrestricted income for the year ended 31 July 2022 was £501,589. Of this £455,185 was derived from legacies and donations and the balance of £46,404 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 £5,089 and after accounting for charitable activities and legal fees of £22,654 and investment management fees of £10,109, a gain of £473,914 was added to previously accumulated surpluses.

Restricted income of £360,921 arose during the year. Of this £290,228 was derived from grants, donations and legacies which were allocated by the donor for specific purposes and the balance of £70,693 from investments and bank balances held. Gains on restricted investments were £6,608 and after accounting for charitable activities and bank charges of £504,015 and investment management fees of £11,754 a loss of £148,240 was deducted from previously accumulated surpluses.

Gains on endowment investments were £3,416 and after accounting for these and investment management fees of £6,786, the value of the Endowment Fund decreased to £1,140,767 at 31 July 2022.

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 and more recent geopolitical issues and their impact on the economy and investment markets, 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 £17m, it is entirely appropriate to adopt the going concern basis for the 2021/22 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 2022

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), 20% Fixed Income (10% Markit iBoxx Gilts Index, 10% Markit iBoxx £ Corporate Bond Index), 18% Alternatives (9% S&P Real Assets Index (Hedged), 9% Absolute Return Index) and 2% Cash (ICE GBP SONIA 1-Month).

The portfolio recorded a positive return during the 12 month period to 31 July 2022, rising in value by +2.4% (+2.4% Jellis Portfolio). The return was behind the primary objective of CPI+3%, which rose by 13.1%, although this is a long-term measure which is monitored over a rolling six-year time horizon. The portfolio outperformed its composite benchmark which returned -2.2%, resulting in outperformance of this short-term measure by 4.6%. Despite the high levels of volatility over the twelve-month period, a meaningful allocation to global equities was of benefit. The Portfolio's equities rose by 2.1% as compared to the MSCI AC World index, which returned 2.3%. The portfolio return is noteworthy in context of the restriction on fossil fuels, which recorded by far the highest return amongst equity sectors. The very low allocation to UK Government and corporate bonds was an important factor in outperforming the composite benchmark as UK bonds suffered a sharp reversal in the face of rising inflation and interest rates. Furthermore, the portfolio's bond holdings outperformed the underlying market, returning -6.3% as compared to -14.1% for the index. Alternatives also added value, rising by 9.7% for the portfolio as compared to a fall of -4.4% for the index.

#### 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 £11,060,866 at 31 July 2022.

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 2022 amounted to £13,335,866 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.

Approved by the Trustee on 30 November 2022 and signed as authorised on their behalf by



**Ravi Gupta** *Chair of the Board of Governors*

**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.

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**Independent auditor's report to the members of The Royal Northern College of Music Endowment Fund**

**Opinion**

We have audited the financial statements of The Royal Northern College of Music Endowment Fund for the year ended 31 July 2022 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 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**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 trustee with respect to going concern are described in the relevant sections of this report.

**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. The trustee is responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **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 trustee's report.

### **Responsibilities of the Trustee**

As explained more fully in the trustee's responsibilities statement set out on page 6 the trustee 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 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 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 intend 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: health and safety regulation, anti-money laundering regulation, UK tax legislation and the Charities SORP.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the charity is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

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- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- 
- Communicating identified laws and regulations to the 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Charities Act 2011.

In addition, we evaluated the trustee's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks 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 revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

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](http://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 trustee in accordance with the charity's articles. 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.

*Mazars LLP*

Mazars LLP  
Chartered Accountant and Statutory Auditor  
One St Peter's Square  
Manchester  
M2 3DE

9 December 2022

## STATEMENT OF FINANCIAL ACTIVITIES

	Note	Year Ended 31 July 2022				Year Ended 31 July 2021			
		Unrestricted	Restricted	Endowment	Total	Unrestricted	Restricted	Endowment	Total
		Funds	Funds	Funds		Funds	Funds	Funds	
		£	£	£	£	£	£	£	£
<b>INCOMING RESOURCES</b>									
Incoming resources from generated funds									
Voluntary Income		455,185	290,228	-	<b>745,413</b>	409,087	101,871	-	<b>510,958</b>
Investment Income		46,404	70,693	-	<b>117,097</b>	42,879	66,470	-	<b>109,350</b>
<b>Total Incoming Resources</b>		<b>501,589</b>	<b>360,921</b>	-	<b>862,510</b>	<b>451,966</b>	<b>168,341</b>	-	<b>620,307</b>
<b>RESOURCES EXPENDED</b>									
Cost of generating funds									
Investment management costs		10,109	11,754	6,786	<b>28,649</b>	9,456	10,945	6,347	<b>26,747</b>
Charitable activities	2	15,997	504,015	-	<b>520,012</b>	351,140	159,817	-	<b>510,957</b>
Governance costs -									
Audit/Legal fees		6,521	-	-	<b>6,521</b>	6,167	-	-	<b>6,167</b>
Bank charges		137	-	-	<b>137</b>	154	-	-	<b>154,23</b>
<b>Total Resources Expended</b>		<b>32,764</b>	<b>515,769</b>	<b>6,786</b>	<b>555,318</b>	<b>366,917</b>	<b>170,761</b>	<b>6,347</b>	<b>544,025</b>
<b>NET INCOMING RESOURCES FOR THE YEAR</b>		<b>468,825</b>	<b>(154,848)</b>	<b>(6,786)</b>	<b>307,191</b>	<b>85,049</b>	<b>(2,420)</b>	<b>(6,347)</b>	<b>76,282</b>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>									
Gains on revaluations and disposals of investments held for charity use:									
Gain on sale of investments		97,648	122,919	65,541	<b>286,107</b>	12,991	17,166	8,720	<b>38,877</b>
Less: Previously accounted for as an Unrealised (gain)		(105,823)	(124,908)	(71,028)	<b>(301,758)</b>	(57,740)	(69,713)	(38,755)	<b>(166,207)</b>
Realised from investments		(8,175)	(1,989)	(5,487)	<b>(15,651)</b>	(44,749)	(52,546)	(30,035)	<b>(127,330)</b>
Unrealised from investments		13,264	8,597	8,903	<b>30,763</b>	281,756	324,080	189,114	<b>794,950</b>
<b>TOTAL INVESTMENT GAINS</b>		<b>5,089</b>	<b>6,608</b>	<b>3,416</b>	<b>15,112</b>	<b>237,008</b>	<b>271,534</b>	<b>159,079</b>	<b>667,620</b>
<b>NET MOVEMENTS IN FUNDS FOR THE YEAR</b>		<b>473,914</b>	<b>(148,240)</b>	<b>(3,370)</b>	<b>322,303</b>	<b>322,057</b>	<b>269,113</b>	<b>152,732</b>	<b>743,902</b>
<b>TOTAL FUNDS AT 1 AUGUST</b>		<b>12,861,952</b>	<b>2,855,874</b>	<b>1,144,137</b>	<b>16,861,963</b>	<b>12,539,895</b>	<b>2,586,761</b>	<b>991,405</b>	<b>16,118,061</b>
<b>TOTAL FUNDS AT 31 JULY</b>	8	<b>13,335,866</b>	<b>2,707,634</b>	<b>1,140,767</b>	<b>17,184,267</b>	<b>12,861,952</b>	<b>2,855,874</b>	<b>1,144,137</b>	<b>16,861,963</b>

All amounts derive from continuing activities.

**BALANCE SHEET**  
**Year ended 31 July 2022**

	Note	As at 31 July 2022		As at 31 July 2021	
		£	£	£	£
<b>FIXED ASSETS</b>					
<i>Investments</i>					
Quoted: at market value	3	5,017,402		5,030,769	
Unquoted: ABRSM at historical cost		<u>2,275,000</u>		<u>2,275,000</u>	
			<u><b>7,292,402</b></u>		<u><b>7,305,769</b></u>
<b>CURRENT ASSETS</b>					
Debtors	4	4,077,641		2,014,525	
Cash at bank and in hand		<u>6,067,843</u>		<u>7,549,318</u>	
		<b>10,145,484</b>		<b>9,563,843</b>	
<b>CURRENT LIABILITIES</b>					
Accruals		253,619		7,649	
<b>NET CURRENT ASSETS</b>					
			<u><b>9,891,865</b></u>		<u><b>9,556,194</b></u>
			<u><u><b>17,184,267</b></u></u>		<u><u><b>16,861,963</b></u></u>
<b>CAPITAL FUNDS</b>					
Endowment fund	5		1,140,767		1,144,137
<b>INCOME FUNDS</b>					
Restricted	6	2,707,634		2,855,874	
Unrestricted	7	13,335,866		12,861,952	
			<u><b>16,043,500</b></u>		<u><b>15,717,826</b></u>
<b>TOTAL FUNDS</b>					
	8		<u><u><b>17,184,267</b></u></u>		<u><u><b>16,861,963</b></u></u>

Approved by the Trustee on 30 November 2022 and signed as authorised on their behalf by



**Chair of the Board of Governors, Ravi Gupta**



**Principal, Linda Merrick**

## **1 ACCOUNTING POLICIES**

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

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](http://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.

## **1 ACCOUNTING POLICIES (continued)**

### **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.

### **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.

**1 ACCOUNTING POLICIES (continued)**

**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 foreseeable future and have not identified any material uncertainties within their review. 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 2022**

**2 GRANTS PAYABLE**

	Year Ended 31 July 2022			Year Ended 31 July 2021		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	Funds	Funds		Funds	Funds	
	£	£	£	£	£	£
Projects and Events						
- Payable to Individuals	9,085	17,541	<b>26,625</b>	5,000	7,945	<b>12,945</b>
- Payable to Institutions	6,912	246,274	<b>253,186</b>	346,140	151,872	<b>498,012</b>
RNCM Awards Fund	-	240,200	<b>240,200</b>	-	-	-
	<b>15,997</b>	<b>504,015</b>	<b>520,012</b>	<b>351,140</b>	<b>159,817</b>	<b>510,957</b>

**3 INVESTMENTS HELD AS FIXED ASSETS**

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£	£
Opening market value	5,030,770	4,389,699
Additions at cost	1,055,766	680,508
Disposals at opening market value	(1,346,800)	(465,372)
Unrealised (losses)/gains	30,763	794,950
Movement on cash	246,904	(369,015)
Closing market value	<b>5,017,403</b>	<b>5,030,770</b>
Historical cost	<b>3,833,353</b>	<b>3,585,202</b>
Unquoted investment		
Associated Board of the Royal Schools of Music	<b>2,275,000</b>	<b>2,275,000</b>

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 2021/2022 and considers that there is no requirement to impair its investment in ABRSM.

Summary details of investments held at 31 July 2022 are as follows:

	Cost	Market Value
	£	£
Bonds	578,594	547,217
UK Equities	307,273	399,793
Continental European Equities	580,837	759,463
North American Equities	832,712	1,422,866
Japanese Equities	371,037	457,474
Asia Pacific Equities	85,109	147,197
Alternatives	734,640	940,241
Cash & Cash Holdings	343,150	343,150
	<b>3,833,353</b>	<b>5,017,403</b>

## NOTES TO THE ACCOUNTS

Year ended 31 July 2022

### 4 DEBTORS

	Year Ended 31 July 2022	Year Ended 31 July 2021
Investment income, accrued interest and tax recoverable	£ 77,641	£ 14,525
Inter-company loan	4,000,000	2,000,000
	<u>4,077,641</u>	<u>2,014,525</u>

The Intra Group Loan was partially repaid (£2m) and partially converted to a grant (£2m) post year-end. This loan is a programme-related investment recognised at historical cost. It is repayable on demand with nil interest and nil security.

### 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 31-Jul-21	Income	Investment Gains	Expenditure	Balance 31-Jul-22
	£	£	£	£	£
Junior Strings Project Instruments	21,303				21,303
JRNCM : Estate of Mrs K Knibbs	11,507			900	10,607
Foundation for Sports and Arts	22,952				22,952
Chris Rowland Masterclass	53,905				53,905
Piano Competition	400,048			88,375	311,673
Concert Hall Refurbishment Fund	1,650	6,450			8,100
The National Foundation for Youth Music	6,933				6,933
Brass Ensemble & Jazz concerts	615				615
Albert & Eugenie Frost Trust	28,096			14,210	13,886
Gala Dinner	35,845				35,845
Instrument Loan Scheme	15,346	2,625			17,971
Entrepreneurship Fund	3,514	1,300		1,000	3,814
Michael Kennedy Memorial	2,381				2,381
JRNCM Bursaries	4,500	16,000			20,500
RNCM Engage	18,932	6,000			24,932
PRS Foundation (Brass Band)	10,024				10,024
Dullator - JRNCM Bursary	-	50,000			50,000
Garfield Weston	75,000				75,000
Student Support	29,288	3,732			33,020
Pathfinder	89,450	90,900			180,350
Haworth Charitable Trust	-	17,000			17,000
Other	262,229	131,228	363	21,997	371,823
Jellis Bequest	1,762,356	35,686	6,245	389,287	1,415,000
	<u>2,855,874</u>	<u>360,921</u>	<u>6,608</u>	<u>515,769</u>	<u>2,707,634</u>

## NOTES TO THE ACCOUNTS

Year ended 31 July 2022

### 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-21 £	Income £	Gains £	Expenditure £	Balance 31-Jul-22 £
Associated Board of the Royal Schools of Music	2,275,000	-	-	-	2,275,000
General Fund	10,586,952	501,589	5,089	32,764	11,060,866
<b>Total unrestricted funds</b>	<b>12,861,952</b>	<b>501,589</b>	<b>5,089</b>	<b>32,764</b>	<b>13,335,866</b>

### 8 ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS

	Year Ended 31 July 2022				Year Ended 31 July 2021			
	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total £	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total £
<b>Fixed Assets</b>								
Investments	1,141,692	2,174,730	3,975,979	7,292,402	1,145,023	2,179,805	3,980,941	7,305,769
<b>Current Assets</b>								
Debtors	-	1,404	4,076,237	4,077,641	-	702	2,013,823	2,014,525
Cash	(352)	774,692	5,293,503	6,067,843	(352)	676,287	6,873,383	7,549,318
<b>Current Liabilities</b>								
Creditors and accruals	(573)	(243,192)	(9,854)	(253,619)	(534)	(920)	(6,195)	(7,649)
	<b>1,140,767</b>	<b>2,707,634</b>	<b>13,335,866</b>	<b>17,184,267</b>	<b>1,144,137</b>	<b>2,855,874</b>	<b>12,861,952</b>	<b>16,861,963</b>

### 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 2022

**11 FINANCIAL INSTRUMENTS**

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£	£
<b><u>Financial assets</u></b>		
Investments measured at fair value through income and expenditure		
Investments in listed ordinary shares	3,186,794	3,383,760
Investments in common investment funds	1,830,609	1,647,009
Cash and cash equivalents	6,067,843	7,549,318
<b>Total financial assets</b>	<b>11,085,245</b>	<b>12,580,087</b>

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

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£	£
<b><u>Interest</u></b>		
Interest income	117,097	109,350
	<b>117,097</b>	<b>109,350</b>
<b><u>Gains</u></b>		
On financial assets measured at fair value through income and expenditure	15,112	667,620
	<b>15,112</b>	<b>667,620</b>