

The Wells Cathedral School Foundation
(limited by guarantee)

Report of the trustees and financial statements

Registered company number 2804495

Registered charity number 1118159

Year ended 31 July 2018



Contents

Trustees' report	2
Independent auditor's report to the members of The Wells Cathedral School Foundation	8
Statement of financial activities	11
Balance sheet	12
Notes	13

TRUSTEE'S REPORT

The trustees of Wells Cathedral School Foundation Limited ("foundation") present their annual report for the year ended 31 July 2018 under the Charities Act 2011, together with the audited financial statements for the year and confirm that they comply with the requirements of the Companies Act 2006, the Memorandum and Articles of Association and Accounting and Reporting by Charities' Statement of Recommended Practice (FRS 102) 2015 ("the Charities SORP"). These financial statements form part of the audited consolidated financial statements of Wells Cathedral School ("the school") for the year.

The financial statements have been prepared on the going concern basis under the historic cost convention, with the exception of listed investments which are held at fair value, in accordance with applicable accounting standards in the United Kingdom mentioned above.

The foundation is registered with the Charity Commission and was incorporated on 28 February 2007 as a registered company, limited by guarantee.

The trustees' body

The following served as trustees in the year under review and up to the date of signing the financial statements. The trustees of the foundation are directors of the foundation for Companies Act 2006 purposes:

Mr Jeremy Brade MBE
Mr David Brown OBE
Mrs Elizabeth Cairncross (*resigned 31 August 18, to be replaced by Alastair Tighe*)
Mr Max Costantini
The Very Reverend John Davies
Mrs Ann Gummer
Mr Christopher Jackson OBE SBS, Chairman
Dr Jenny Kingston
Mr Philip Lemanski
Mr Tim Lewis
Mr Chris Seaton
Mr Alastair Tighe (*to be appointed at the AGM on 20th November 18*)

The foundation's executive board comprises the chairman of the foundation, the chairman of the governors of the school, an elected school governor, the principal of the school and an elected foundation trustee. These five "member" trustees are joined by the other trustees in the running of the foundation and in all appropriate board meeting decisions but only the member trustees have the power to vote at the Annual General Meeting ("AGM"). The member trustees are Christopher Jackson (chairman), John Davies, Elizabeth Cairncross, Tim Lewis and David Brown. A maximum of 25 trustees may be appointed to the board. Elizabeth Cairncross resigned from the school and foundation effective 31st August 2018, her replacement as head master is Alastair Tighe who will be appointed as a trustee at the AGM in November.

Legal and administrative details

Registered and principal office

Wells Cathedral School Limited
College Road
Wells
Somerset
BA5 2SX

Bankers

National Westminster Bank plc
7 High Street
Wells
Somerset
BA5 2AD

Trustees' report *(continued)*

Solicitors	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Independent auditors	Crowe U.K.LLP Chartered Accountants Carrick House Lypiatt Road Cheltenham GL50 2QJ
Company secretary	Mr Peter Knell Wells Cathedral School Limited College Road Wells Somerset BA5 2SX
Connected charity	Wells Cathedral School Limited College Road Wells Somerset BA5 2SX

Connected charity registered number 310212

Status

The foundation, not having share capital, is limited by guarantee and is governed by its Memorandum and Articles of Association. The foundation is a company registered in England and Wales.

The foundation has been created to act as the legal entity for the recording and control of all fundraising activity on behalf of the school.

Charitable Objectives

The trustees have referred to the Charity Commission's general guidance on public benefit when reviewing the foundation's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

The objectives of the foundation are to advance the education of pupils at the school and to promote any other charitable purpose or charitable organisation that the trustees shall determine, and in particular to assist in:

- The provision of financial assistance towards the maintenance and development of the school;
- Raising money for awards to pupils to pursue their education at the school, including pupils whose parents or guardians are in need of financial assistance;
- The provision of facilities and equipment to support the education (including the social and physical training) of pupils in the school; and
- The organisation of events to promote the good name of the school and further its educational objectives, including orchestral and choral concerts in the UK and overseas.

Trustees' report (continued)

Organisational structure

The foundation's fundraising and related activities are carried out by staff of the school's development office, managed from November 2017 by the head of development and supported by the school's development committee. An allocation of the development office's operating costs, including school staff costs and other direct costs associated with the foundation, which are borne by the school, has been made to the foundation based on time actually spent by the office's staff on the foundation's affairs. These costs of £81,275 (2017: £151,434) are reflected in the Statement of Financial Activities in operating expenses and income from the school of £81,275 (2017: £151,434) recognised as "Gift in kind – school" in *Income from charitable activities*.

The foundation's committees and their chairmen are as follows:

Bursaries	Mr Max Costantini
909 Legacy Society	Mr Jeremy Brade
Investment	Mr Tim Lewis
Wells Music Society of Hong Kong	Mr Bryan Carter

The chairman and members of the board meet with the head of development as necessary between board meetings. Various trustees take an interest in particular fundraising activities so that the board can be kept fully informed of all work being undertaken in its name.

In the absence of a CEO, the head of development is responsible for maintaining the operational processes required to run the foundation, and for providing professional advice in fundraising, communications and alumni relations. The head of development is assisted by a full time development officer, a part time trusts fundraiser and various other events and marketing personnel as required. The arrangement for setting staff pay is through the school and the Principal agrees the salary in consultation with the governors of the school. Benchmarking with comparable salaries is achieved through visiting websites such as Pay Scale and ISBA.

Recruiting and training of trustees

The trustees are appointed at a meeting of the board on the basis of nominations agreed between the chairman, the principal of the school and head of development, having regard to the board's requirements concerning eligibility, personal competence, specialist skills and availability for meetings. New trustees are inducted into the working of the foundation, including its aims and objectives, by the chair and the head of development. A document outlining the responsibilities and expectations of the trustees is provided to all prospective trustees.

Charity governance code

All trustees of the foundation:

- Are committed to the foundation's cause and have joined its board because they want to help it to deliver its purposes most effectively for public benefit;
- Recognise that meeting the foundation's stated public benefit is an ongoing requirement;
- Understand their roles and legal responsibilities, and have read and understood:
 - The Charity Commission's guidance *The Essential Trustee (CC3)*;
 - The foundation's governing document;
 - Are committed to good governance and want to contribute to the foundation's continued improvement.

The trustees are familiar with and acknowledge the updated version of the Charity Governance Code published in July 2017 and the Code's principles are reviewed at the yearly AGMs.

Fundraising disclosures

As required under S162A of the Charities Act 2011, the foundation has continued to undertake fundraising activities during the year using its database, as in previous years. These fundraising activities have been undertaken by staff employed by the foundation and no external persons have been used. The foundation has voluntarily subscribed to the

Trustees' report (*continued*)

Fundraising Regulator which holds the foundation to the Code of Fundraising Practice. Over the course of the financial year there have been no failures to comply with the Code, nor have any complaints been received.

In order to protect vulnerable people the foundation complies with the school's safeguarding policy to report concerns of abuse, all members of staff receive regular safeguarding training, and safeguarding is an agenda item at all trustee meetings. This allows trustees and staff members to raise and be aware of any concerns.

Indemnity Insurance

As permitted by the Articles of Association of the school, the trustees are the beneficiaries of a qualifying third party indemnity as defined by section 234 of the Companies Act 2006. The school also purchased and maintained throughout the financial year governors' and officers' liability insurance in respect of itself, its governors and the trustees of the foundation.

The cost of insurance, which is included in the cost of public liability cover in the consolidated financial statements of the school, amounted to £10,245 (2017: £9,794) in the year for the school and foundation.

Statement of going concern

In their consideration of the presumption of going concern as the basis for the preparation of the report and financial statements, the trustees have concluded that no material uncertainties have been identified that may cast significant doubt on the ability of the foundation to continue as a going concern. The trustees therefore have a reasonable expectation that the foundation has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

STRATEGIC REPORT

Review of developments, activities and achievements

There are currently eleven foundation trustees in place to help deliver the foundation's aims, meeting quarterly and combining the Annual General Meeting with the November meeting.

There is also a cohort of Foundation Fellows many of whom play an active role in helping to deliver the strategic aims of the foundation and school.

During the year the foundation's bursaries appeal continued to work to support the school's ability to provide financial assistance to certain students, a need that has become more pronounced. In the financial year donations and interest income of £18,165 (2017: £4,016) and a firm pledge of £30,000 (2017: £nil) were received.

Funding from the USA this year comprised a further gift from the Goldman Sachs Gives scheme of £3,578 (2017: £3,922) at the instigation of a former pupil, the use of which is restricted to 'bursary administration' costs.

In November 2017, four foundation fellowships were awarded at an event which coincided with the ten year anniversary of the establishment of the foundation.

The foundation has supported the board of the Wells Music Society of Hong Kong Limited in the past year, and the school now has two music scholars who are supported financially by the society.

Immediate & future plans

The current emphasis remains the provision of bursary funding for individual students and completing the fundraising for Cedars Hall.

Financial review

During the year the foundation received £283,008 (2017: £94,869) in financial contributions in the form of donations and legacies, which is an increase of 198% (2017: decrease of 90%) in incoming resources. This figure is partially made up of a transfer from Wells Cathedral School during the year of £115,828 from the Russell Fox trust and £53,988

Trustees' report *(continued)*

from the St Brandon's fund. St Brandon's was a grant making charity to be used towards the clergy's children and the Russell Fox trust was set up in memory of a student who died in 1992 rock climbing, the funds going towards outdoor pursuits. The school acted as administrators to both charities as their trustees were either governors, or former or present members of staff. They were both registered charities until they were legally dissolved and their funds transferred to the foundation.

The foundation's net movement in funds during the year was a surplus of £165,133 (2017: deficit £297,176.)

Reserves policy

The foundation had unrestricted general funds of £30,686 (2017: £2,790) at the year end. The policy of the trustees is to use immediately available unrestricted general funds for bursaries or other financial assistance for pupils. At the year end it had restricted funds of £191,074 (2017: £88,318) and endowment funds of £392,808 (2017: £358,327), giving a total of £614,568 (2017: £449,435).

Investment policy, powers and performances

In accordance with the trust deed, the trustees may authorise the funds of the foundation to be invested in any stocks, shares or insurance policies. The trustees' aim is to generate a long-term total return from endowment funds invested, combining both capital growth and income. Endowment funds are defined as donations made to the school in perpetuity, the income from which is to be used for the benefit of future pupils. The investment objective is to outperform the MSCI Wealth Management Association Growth return which this year was 9% (2017: 13.4%). However this year the portfolio underperformed by 1.3% (2017: over performed by 2.6%)

The foundation's endowment funds have been entrusted to Smith & Williamson Investment Management to invest in a portfolio of equities, funds and cash. The investment is classed as a non-current asset as it will be held for longer than 12 months. The investment objectives and risk parameters are reviewed every year by the investment committee.

Since the end of the financial year the school has received approval from the Charities Commission for the transfer of assets totalling £414,454, consisting of six separate funds, from the school to the foundation, which will be placed in the Smith and Williamson portfolio. Once the value of this portfolio reaches a sufficient amount the income will be used to award bursaries to pupils of the school, consistent with the foundation's objects.

Political and charitable contributions

The foundation made no political or charitable contributions during the year under review (2017: £nil) other than donations to the school of £145,131 (2017: £443,873), as disclosed in the statement of financial activities. The foundation's grant making policy is to make donations only to the school.

Risk management

The board of trustees has considered the principal areas of the foundation's operations and assessed the major risks faced in each of these areas. They have identified the following risks and controls:

- failure to attract appropriate trustees with expertise to provide strong, wise leadership – this is regularly reviewed by the principal and trustees;
- change in management of the foundation – continually reviewed by the principal and foundation chairman;
- reputational damage caused by inappropriate activity, or failure to secure necessary funds – constant professional vigilance and early consideration of possible issues by the trustees;
- financial crisis / reputational crisis / government closes down the Music and Dance scheme ("MDS"). The aim of the MDS is to assist pupils at the school with exceptional potential in music and dance, regardless of their personal circumstances. They benefit from world class specialist training, as part of a broad and balanced education. This enables them to proceed towards self sustaining careers in music and dance, if they choose - the future of the MDS is mitigated against a background of continued governmental spending reviews through regular monitoring of government decisions; and

Trustees' report (*continued*)

- loss or misuse of funds provided to the foundation – two staff monitoring the banking process together with full documentation of allocation of all receipts.

Statement of trustees' responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and the Charities SORP.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the foundation and of the incoming resources and application of resources, including the income and expenditure, of the foundation for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the foundation will continue in operation.

The trustees are responsible for ensuring adequate accounting records are kept by the school sufficient to show and explain the foundation's transactions, disclose with reasonable accuracy at any time the financial position of the foundation and enable the trustees to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the foundation's constitution. They are also responsible for safeguarding the assets of the foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure of information to the auditor

So far as each trustee is aware, there is no relevant audit information of which the foundation's auditor is unaware. The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.


The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the foundation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

On 25th June 2018, Crowe Clark Whitehill LLP changed its name to Crowe U.K. LLP.

Crowe U.K. LLP have indicated their willingness to accept reappointment as the foundation's auditors and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

In preparing this report, trustees have taken advantage of the small companies exemptions provided by section 145A of the Companies Act 2006.



Mr Christopher Jackson
Chairman of trustees

22/11/18
Wells
Somerset
BA5 2SX

Independent Auditor's Report to the Members of the Wells Cathedral School Foundation

Opinion

We have audited the financial statements of The Wells Cathedral School Foundation for the year ended 31 July 2018 which comprise the Statement of Financial Activities, 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 Financial Reporting Standard 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 charitable company's affairs as at 31 July 2018 and of its incoming resources and application of resources 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 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 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 trustees are responsible for the other information. The other information comprises the information included in the annual 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.

Independent Auditor's Report to the Members of the Wells Cathedral School Foundation (*continued*)

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the trustees' 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 trustees' report have 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' 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 accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees' report.

Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement, 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 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 charitable company 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 these financial statements.

Independent Auditor's Report to the Members of the Wells Cathedral School Foundation (*continued*)

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 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 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 charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Guy Biggin

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

Carrick House

Lypiatt Road

Cheltenham

Gloucestershire

GL50 2QJ

Date

7 Feb 2019

**Statement of financial activities (incorporating an income and expenditure account)
for the year ended 31 July 2018**

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £ (Note 15)
Income from:						
Donations & legacies	3	30,111	247,887	5,010	283,008	94,869
Income from investments	10,12	82	-	3,794	3,876	8,960
Gifts in kind – school	9	81,275	-	-	81,275	151,434
Total income		111,468	247,887	8,804	368,159	255,263
Expenditure on:						
Charitable activities - donations to school	11	-	145,131	-	145,131	443,873
Raising funds – operating costs	9	81,275	-	-	81,275	151,434
Other expenditure	4	2,297	-	-	2,297	2,539
Total expenditure		83,572	145,131	-	228,703	597,846
Net gains on investments	5	-	-	25,677	25,677	45,407
Net expenditure and net movement in funds		27,896	102,756	34,481	165,133	(297,176)
Fund balance brought forward at 1 August		2,790	88,318	358,327	449,435	746,611
Fund balance carried forward at 31 July	13	30,686	191,074	392,808	614,568	449,435

The notes on pages 13 to 21 form part of these financial statements.

Balance sheet
Company number: 2804495

As at 31 July 2018

	Note	£	2018 £	2017 £
Fixed assets				
Investments	5		392,808	358,327
Current assets				
Debtors	6	33,141		13,778
Cash at bank and in hand		215,783		90,462
Total current assets			248,924	104,240
Creditors: amounts falling due within one year	7		(27,164)	(13,132)
Net current assets			221,760	91,108
Total assets less current liabilities			614,568	449,435
Net assets			614,568	449,435
The funds of the charity:				
Endowment funds	10		392,808	358,327
Restricted funds	11		191,074	88,318
Unrestricted funds	12		30,686	2,790
Total charity funds			614,568	449,435

The notes on pages 13 to 21 form part of these financial statements.

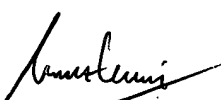
The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006.

The financial statements were approved by the trustees on 20th November 2018 and were signed on their behalf by:



Mr Christopher Jackson
Chairman of trustees
Date:

20 November 2018.



Mr Tim Lewis
Trustee
Date:

Notes

1 Company status

The foundation is a charitable company (registered no. 2804495) limited by guarantee, not having any share capital. The member trustees undertake to contribute to the assets of the foundation in the event of it being wound up, either whilst members or within one year of their membership ceasing. The maximum contribution required from each member is £1.

The registered and principal office of the foundation is Wells Cathedral School Limited, College Road, Wells, Somerset, BA5 2SX. The foundation is also registered as a charity with the Charity Commission in England and Wales (registered no. 1118159).

2 Accounting policies

The following accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the foundation's financial statements. There have been no material changes to accounting policies since the prior year.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historic cost convention, with the exception of listed investments which are held at fair value, in accordance with applicable accounting standards in the United Kingdom including the Financial Reporting Standard 102, 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), Statement of Recommended Practice (FRS 102) 2015 'Accounting and Reporting by Charities' ('the Charities SORP'), the Charities Act 2011 and the Companies Act 2006.

The foundation has taken advantage of the exemption from the requirement to prepare a cash flow statement in accordance with section 1.12 of FRS 102.

The foundation is a public benefit entity and the foundation's functional and presentational currency is the pound sterling. The registered and principal address is College Road, Wells, Somerset, BA5 2SX.

Going concern

The financial statements are prepared on a going concern basis. The trustees have a reasonable expectation that they have adequate resources to continue its activities for the foreseeable future and consider that there are no material uncertainties over the foundation's financial viability. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. There are no material uncertainties.

Income

Income in furtherance of the foundation's activities is represented by:

- Donations, which comprise primarily donations and charitable gifts from individuals, grant giving trusts and foundations, and are accounted for on an accruals basis. Income is recognised when there is a legally binding commitment to the foundation for the transfer of funds. Donations of assets are brought into the balance sheet and statement of financial activities at market value, at the date of acquisition. Gift aid is subsequently applied for where appropriate;
- Legacies, which are accounted for at the earlier of receipt of estate accounts or cash received. An assessment is performed post year end of up to two months. Any legacies received are considered, their value reliably measured and then accounted for appropriately;
- Income from investments, which represents interest and dividends earned during the year from bonds and deposits and the endowment funds and any realised gains on their disposal. Income is accounted for on an accruals basis; and
- Gifts in kind, which are recorded in income to reflect the value of the foundation's operating costs that are borne by the school, which includes the employees of the foundation.

Notes (continued)

Accounting policies (continued)

Accrued income

When, as a result of performing a service or otherwise meeting the requirements of any arrangement with a third party, income falls due but has not been invoiced in the year, an accrual is made for this income.

Creditors

Creditors and provisions are recognised where the foundation has a present obligation resulting from a past event that will probably result in the transfer of funds, and the amount due to settle the obligation can be measured or estimated reliably.

Expenditure

All expenditure is included in the statement of financial activities on an accruals basis, inclusive of any value added tax which cannot be recovered. Costs directly attributed to a specific expense heading are allocated to that heading.

Expenditure is recognised when a liability is incurred and in the following categories:

- The costs of charitable activities, which consist of charitable donations to the school;
- Operating costs, which are the costs of the head of development and her assistants, who are employed by the school, and the direct costs associated with the foundation which are borne by the school.

Taxation

The foundation is not liable to taxation on the revenue from its primary activities or on its investment income as it is a registered charity.

Cash and cash equivalents

Cash is represented by cash in hand.

Fund accounting

The foundation has three types of funds for which it is responsible, which require separate disclosure. These are as follows:

- Unrestricted funds which are expendable at the discretion of the trustees in furtherance of the objects of the foundation. In addition to expenditure on the principal activities of the foundation, such funds may be held in order to finance working capital;
- Restricted funds that have been donated for specific purposes, such as bursaries or projects; and
- Endowment funds, which are defined as donations made to the school in perpetuity, the income from which is to be used for the benefit of future pupils.

Notes (continued)

Accounting policies (continued)

Investments

In accordance with the trust deed, the trustees may authorise the funds of the foundation to be invested in any stocks, shares or insurance policies. The trustees' aim is to generate long-term total return from endowment funds invested, combining both capital growth and income, and to invest other funds received in bank deposits and bonds at attractive rates of interest. The basis for determining fair value is the quoted market price in an active market.

Any realised and unrealised gains and losses on sale or revaluation of investments are recorded within the statement of financial activities.

Financial instruments

All of the foundation's financial assets and liabilities qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Critical accounting judgements and estimation of uncertainty

Estimates and judgements 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) Critical judgements

The trustees do not believe that any critical judgements have been made in preparing the financial statements, except pledges which are included based on a firm judgement by the foundation.

The accruals and prepayments are calculated based on fact or historical evidence.

(b) Estimates and assumptions

The estimates and assumptions made by the foundation consist primarily of an allocation of the school's development office's operating costs based on the knowledge of key management personnel.

3 Donations and legacies

	2018	2017
	£	£
Trusts	244,766	39,600
Companies/individuals	38,242	55,269
	<u>283,008</u>	<u>94,869</u>

4 Other expenditure

	2018	2017
	£	£
Auditor's remuneration	1,500	1,500
Irrecoverable VAT	300	300
Bank charges	497	739
	<u>2,297</u>	<u>2,539</u>

Notes (continued)

5 Investments

Non-current investments

	2018 £	2017 £
Investments at valuation		
At 1 August	358,327	298,476
Additions at cost	89,059	222,056
Disposals proceeds	(74,587)	(200,454)
Net gains	25,677	45,407
	<hr/>	<hr/>
Decrease in cash held for reinvestment	398,476 (5,668)	365,485 (7,158)
	<hr/>	<hr/>
At 31 July	392,808	358,327
	<hr/>	<hr/>

The investments consist of a portfolio of equities, bonds and cash managed by Smith & Williamson Investment Management, the majority of which comprise UK assets. They are categorised as non-current assets as they are held for longer than 12 months. The investment objective is to outperform the MSCI Wealth Management Association Growth return which this year was 9% (2017: 13.4%). However this year the portfolio underperformed by 1.3% (2017: over performed by 2.6%).

6 Debtors:

These comprise accrued income.

7 Creditors: amounts falling due within one year

	2018 £	2017 £
Accruals	4,309	4,305
Amount owed to Wells Cathedral School (bursaries)	22,855	8,827
	<hr/>	<hr/>
	27,164	13,132
	<hr/>	<hr/>

8 Financial Instruments:

The foundation has the following financial instruments:

- Financial assets that are measured at amortised cost

	2018 £	2017 £
Debtors	33,141	13,778
	<hr/>	<hr/>

Notes (continued)

- Financial assets that are measured at fair value

	2018	2017
	£	£
Investments	392,808	358,327

- Financial liabilities measured at amortised cost

	2018	2017
	£	£
Accruals	4,309	4,305
Amount owed to group undertakings	22,855	8,827
	27,164	13,132

9 Remuneration of the trustees

The foundation had no employees in either this or the preceding financial year and therefore no employee earned more than £60,000 in the current or previous year. The trustees did not receive any emoluments, benefits or reimbursement of expenses during the year (2017: *£nil*). The staff were paid £57,505 (2017: £124,706) which is incorporated in the operating expenses recharged by the school of £81,275 (2017: £151,434). The difference of £23,770 (2017: £30,657) comprises expenses borne by the foundation for office administration, travel and events of the foundation.

10 Endowment funds

	2018	2017
	£	£
At beginning of year	358,327	298,476
Add donations	5,010	6,008
Income from investments	3,794	8,436
Unrealised gains on investments	25,677	45,407
At 31 July	392,808	358,327

The income of £3,794 (2017: £8,436) was reinvested into the investment portfolio.

The endowment fund represents the investment portfolio held by Smith & Williamson Investment Management. When the portfolio reaches a sufficient amount, the income there from will be used to award bursaries to the pupils of the school. Any realised and unrealised gains and losses on sale or revaluation of investments are recorded within the statement of financial activities.

Notes (continued)

11 Restricted funds

	Balance at 1 August 2017 £	Incoming £	Outgoing £	Balance at 31 July 2018 £
Cedars Hall Project	13,304	16,264	(21,773)	7,795
Cedars Hall - Gala fund	24,210	-	(24,210)	-
Pavilion Fund	2,882	902	(3,540)	244
Bursaries - General	(5,716)	18,165	(32,855)	(20,406)
Wells Music Society of Hong Kong	1,578	33,372	(33,372)	1,578
Bursaries - Sierra Leone	1,291	-	-	1,291
Bursaries - Music Travel	3,834	1,170	(4,358)	646
Bursaries - Sport Travel	1,909	98	-	2,007
Bursaries - Charitable Aid	567	-	-	567
Bursaries - Music	925	650	(1,000)	575
Bursary Administration	5,014	-	(5,014)	-
Archive	1,282	-	-	1,282
Roland Jacob Award	300	-	(50)	250
Junior Instruments	1,095	-	-	1,095
Trophy Cabinet	1,754	-	-	1,754
Sierra Leone	1,582	1,527	(350)	2,759
Books for Pre-School	150	-	(150)	-
String Department	9,057	500	-	9,557
Woodwind Department	150	-	-	150
Music Department	5,971	20	(4,665)	1,326
Conservatoire Instruments	5,000	-	-	5,000
Niall Mellis Fund	2,000	-	-	2,000
David Nasmyth	1,000	-	-	1,000
St Brandon's Fund	853	53,988	(1,000)	53,841
Cinnamon Fund	300	850	(1,150)	-
Quilter Family Bursary Fund	4,103	662	(3,900)	865
Quilter Family Fund Administration	3,923	3,578	(3,923)	3,578
Choralia tour	-	313	(313)	-
Russell Fox Trust 1	-	6,185	(3,508)	2,677
Russell Fox Trust 2	-	109,643	-	109,643
	<u>88,318</u>	<u>247,887</u>	<u>(145,131)</u>	<u>191,074</u>

The negative balance in the restricted funds of £20,406 under general bursaries was rectified soon after the year end with the receipt of funds from an unrestricted legacy.

Restrictions on the use of the larger funds are as follows:

Capital projects:

Cedars Hall Project (£7,795). These funds must be utilised on the infrastructure of, and purchase of musical instruments to be used in Cedars Hall.

Specific funds held:

The Russell Fox Trust 1&2 (£112,320) and St Brandon's fund (£53,841). St Brandon's is a grant making charity to be used towards the clergy's children and the Russell Fox Trusts were set up in memory of a student who died in 1992 rock climbing, the funds going towards outdoor pursuits. These funds were transferred from the school during the year when the charities they represented were legally dissolved.

Notes (continued)

Money held for specific future reasons:

String Department (£9,557) and Conservatoire Instruments (£5,000). These funds are to be used by these departments within the music school on tours or for the purchase of instruments.

	Balance at 1 August 2016 £	Incoming £	Outgoing £	Balance at 31 July 2017 £
Cedars Hall Project	136,336	44,609	(167,641)	13,304
Cedars Hall - Steinway	200,000	-	(200,000)	-
Cedars Hall - Gala fund	29,987	-	(5,777)	24,210
Pavilion Fund	4,244	(1,362)	-	2,882
Classrooms - Cook building	1,670	-	(1,670)	-
Bursaries - General	23,155	4,106	(32,977)	(5,716)
Wells Music Society of Hong Kong	1,608	21,600	(21,630)	1,578
Bursaries - Sierra Leone	807	484	-	1,291
Bursaries - Music Travel	7,202	1,934	(5,302)	3,834
Bursaries - Sport Travel	728	1,181	-	1,909
Bursaries - Charitable Aid	567	-	-	567
Bursaries - Music	376	950	(401)	925
Bursary Administration	5,014	-	-	5,014
Archive	1,282	-	-	1,282
Roland Jacob Award	350	-	(50)	300
Junior Instruments	1,095	-	-	1,095
Trophy Cabinet	1,754	-	-	1,754
Sierra Leone	943	989	(350)	1,582
Books for Pre-School	150	-	-	150
String Department	9,527	1,140	(1,610)	9,057
Woodwind Department	150	-	-	150
Music Department	3,721	2,250	-	5,971
America Friends of Wells Scholarship	5,023	-	(5,023)	-
Conservatoire Instruments	5,000	-	-	5,000
Leavers Gift	625	-	(625)	-
Niall Mellis Fund	2,000	-	-	2,000
David Nasmyth	-	1,000	-	1,000
St Brandon's Fund	-	853	-	853
Cinnamon Fund	-	300	-	300
Quilter Family Bursary Fund	-	4,103	-	4,103
Quilter Family Fund Administration	-	3,923	-	3,923
	<u>443,314</u>	<u>88,060</u>	<u>(443,056)</u>	<u>88,318</u>

12 Unrestricted funds

	Balance at 1 August 2017 £	Interest £	Incoming £	Outgoing £	Balance at 31 July 2018 £
General Funds	2,348	82	30,111	(2,297)	30,244
Designated Funds	442	-	-	-	442
	<u>2,790</u>	<u>82</u>	<u>30,111</u>	<u>(2,297)</u>	<u>30,686</u>

Notes (continued)

Unrestricted funds comprise gifts provided to the foundation that are not committed to any project being undertaken by the foundation. The trustees determine how such funds shall be used. The £442 (2017: £442) in the designated funds is the balance in the curriculum development fund and will be released next year.

	Balance at 1 August 2016	Interest	Incoming	Outgoing	Balance at 31 July 2017
	£	£	£	£	£
General Funds	4,379	524	801	(3,356)	2,348
Designated Funds	442	-	-	-	442
	<u>4,821</u>	<u>524</u>	<u>801</u>	<u>(3,356)</u>	<u>2,790</u>

13 Allocation of net assets

The net assets are held for the various funds as follows:

	Fixed assets	Net current assets	Total 2018
	£	£	£
Restricted Funds	-	191,074	191,074
Endowment Funds	392,808	-	392,808
Designated Funds	-	442	442
Revenue Funds	-	30,244	30,244
	<u>392,808</u>	<u>221,760</u>	<u>614,568</u>

	Fixed assets	Net current assets	Total 2017
	£	£	£
Restricted Funds	-	88,318	88,318
Endowment Funds	358,327	-	358,327
Designated Funds	-	442	442
Revenue Funds	-	2,348	2,348
	<u>358,327</u>	<u>91,108</u>	<u>449,435</u>

14 Connected parties

Wells Cathedral School ("the school") is a connected charity and parent within the terms of the SORP in that it has common, parallel or related objects and activities and unity of administration.

The school funded the initial set up costs of the foundation and will fund certain ongoing costs of operation of the foundation as agreed in the 'memorandum of understanding' between the school and the foundation. In 2018 the foundation's operating costs of £81,275 (2017: £151,434) were recharged to the school.

There were transactions with the school of £145,131 during the year (2017: £443,873) representing donations for bursaries and specific projects, and £22,855 (2017: £8,827) was due to the school at the year end.

During the year 3 trustees (2017: 3) donated a total of £7,260 to the foundation (2017: £7,260).

Notes (continued)

The results of the foundation have been consolidated with those of the school; a copy of those financial statements for the year ended 31 July 2018 are available from the company secretary of the school, Wells Cathedral School Limited, College Road, Wells, Somerset, BA5 2SX. Charity No: 310212. Company No: 2804495.

15 Comparative statement of financial activities for year ended 31 July 2017

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2017 £
Income				
Income from charitable activities				
Donations & legacies	801	88,060	6,008	94,869
Income from investments	524	-	8,436	8,960
Gifts in kind - School	151,434	-	-	151,434
Total income	<u>152,759</u>	<u>88,060</u>	<u>14,444</u>	<u>255,263</u>
Expenditure on				
Charitable activities - donations to School	817	443,056	-	443,873
Raising funds - operating costs	151,434	-	-	151,434
Other expenditure	2,539	-	-	2,539
Total expenditure	<u>154,790</u>	<u>443,056</u>	<u>-</u>	<u>597,846</u>
Net gains on investments			45,407	45,407
Net expenditure and movement in funds	(2,031)	(354,996)	59,851	(297,176)
Fund balance brought forward at 1 August	4,821	443,314	298,476	746,611
Fund balances carried forward at 31 July	<u>2,790</u>	<u>88,318</u>	<u>358,327</u>	<u>449,435</u>