
THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)

UNAUDITED
TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021



THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)

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THE HAMPSTEAD SCHOOL OF ART
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REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2021

Trustees	Angela Franklin, Chair (resigned 29 October 2020) Julia Simpson, Chair (appointed 11 March 2021) Reginald Boorer, Vice Chair Cynthia Barlow OBE Robert Goodall, Treasurer Nicolette Aubury
Company registered number	03015275
Charity registered number	1072327
Registered office	2 Penrose Gardens London England NW3 7BF
Patrons	Sir Frank Bowling OBE, RA Alan Gouk Francisco Gazitua MRSS Dolorosa Sinaga Rachel Bowling
Accountants	Nyman Libson Paul LLP Chartered Accountants 124 Finchley Road London NW3 5JS

THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Hampstead School of Art (the company) for the year ended 31 August 2021. The Trustees confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition effective 1 January 2019).

Since the Company qualifies as small under section 382 of the Companies Act 2006, the Strategic Report required of medium and large companies under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has been omitted.

Structure, governance and management

a. Constitution

The company is registered as a company limited by guarantee, governed by its Memorandum and Articles of Association dated 27 January 1995, and is registered as a charity with the Charity Commission. The company, Hampstead School of Art (HSoA), operates as a traditional Fine Art and Applied Art community education charity.

b. Methods of appointment or election of Trustees

The management of the company is the responsibility of the Trustees who are appointed by the Trustees at the Annual General Meeting in accordance with the Articles of Association. There must be at least two Trustees and not more than twenty individuals all of whom must be members.

c. Policies adopted for the induction and training of Trustees

Training on HSoA policies and procedures for new Trustees is provided, where necessary, by the existing Trustees, the Principal and the Executive Bursar.

d. Organisational structure and decision-making policies

HSoA is administered by the Board of Trustees. Subcommittees meet regularly and full board meetings are termly. Day to day management and running of the Art School is delegated to Isabel H Langtry, the Principal. The Principal makes decisions in accordance with Board policy and the Hampstead School of Art Business Plan developed annually to meet the school strategic objectives set out by the Board of Trustees and the Principal.

e. Staff and Remuneration Policy

HSoA continues to operate with a relatively small number of dedicated and skilled core staff, augmented by a larger network of freelance tutors. HSoA is committed to paying staff fairly for the work that they do, whilst recognising that the charity operates with limited financial resources.

The remuneration and benefits of HSoA senior management team are decided by the Trustees, on the recommendation of the finance committee, taking account of market rates and achievements of performance objectives.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

f. Public benefit

Hampstead School of Art (HSoA) encourages participation in and provides access to traditional Fine Art and Applied Art education for everyone, at any age! The school is committed to widening participation in inter-generational learning and wellness and giving people of all levels and abilities the confidence to find their own artistic voice. HSoA also provides spaces where artists can work and grow and where local communities can access art and creativity.

HSoA's work achieves high levels of economic, social and cultural impact by providing extensive resources that promote the advancement of art education which includes:

- a. Out-reach art classes: for community members who are unable to access the art school buildings
- b. In-reach classes: for learners with complex difficulties or mobility challenges
- c. Our open-door policy: anyone with an interest in art can access art making
- d. Supporting the homeless: HSoA offers aid to people affected by homelessness
- e. Bursary programme: Financial support for Foundation Courses and the Frank Bowling OBE, RA Bursary are awarded annually
- f. A comprehensive programme of support for the local community is well established and includes many activities for both the public and businesses. These include a range of annual activities; free workshops at local festivals art Fairs and events, the HSoA annual Exhibition, the Hampstead Summer Festival and Art Fair Day which includes two annual local children's art competitions publicly displayed at the Festivals.
- g. Free lectures and exhibitions are available to the local community
- h. Open Air cultural spaces such as placement of public sculptures are created for community benefit.
- i. New virtual learning programmes

Objectives and activities

Objectives

Community, inclusivity and self-expression drive our culture. Hampstead School of Art is committed to widening participation in inter-generational learning and wellness and giving people of all levels and abilities the confidence to find their own artistic voice.

Activities undertaken to achieve objectives

HSoA offers a comprehensive programme of termly day and evening classes, full time courses, workshops and exhibitions for students, visitors and the local community as well as a programme of free lectures and events.

Unleashing the artist in everyone

HSoA's success is based on our commitment to provide a wide range of fine art skills taught by practicing artists delivering specialist teaching in order to help develop individual abilities. Accessibility to all with an interest in art and applied art is our goal ensuring the school:

- Provides a high standard of education from Family Classes to Foundation courses
- Offers scholarships irrespective of age, background or ability
- Delivers first-rate and comprehensive range of fine art and applied art such as: drawing, painting, sculpture, printmaking, installation, digital art, film, performance and lens-based works, studio ceramics, mosaics, jewellery and silk painting, portfolio building, pre-foundation, foundation diploma courses and advanced courses in fine art.

THE HAMPSTEAD SCHOOL OF ART
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Achievements and performance

a. Main achievements of the Company

Growth: Since moving into our new premises the number of students attending the school has grown significantly prior to COVID. The curriculum has expanded to meet the growing demand for a range of subjects and classes for school children and families.

Inclusivity: HSoA's open-door policy endeavours to provide access to art and fine art learning for everyone. In-reach and outreach courses have been at the core of many successes in personal development by helping students reach their next step in higher education or lifelong learning. This has been achieved across a diverse student population irrespective of age, background ability or experience.

Academic excellence: As HSoA's reputation grows our successes continue. We are proud that 100% of our Foundation students applying to University degrees achieve their goal, some remain to study HSoA's Advanced Course. Our teaching-artists exhibit around the world and receive accolades on a regular basis.

International reputation and partnerships: HSoA International reputation and partnerships are growing as the Principal Isabel H Langtry leads the creative path to find new collaborations and patrons. Connections in Chile, China, Italy, Spain, Singapore, Indonesia, and Saudi Arabia have been forged resulting in 2 new Patrons being appointed, collaborative programmes created, and public sculptures exhibited. HSoA are fortunate to have 6 internationally renowned artist-patrons and the contribution they make to the learning and education programmes of the school is invaluable.

COVID Policy: The art school developed a robust COVID Policy.

b. Financial review

The preferred business model of Hampstead School of Art is to achieve independent financial viability by generating most of its income from tuition fees for traditional and contemporary Fine Art and Applied Art learning, Foundation and Advanced Courses. Although fundraising is conducted by the school, it is not dependent on grants or other external funding to maintain its day-to-day activities. Robust operational and financial policies, including generation and maintenance of significant cash reserves prior to COVID helped us to fulfil our goal of achieving long-term sustainability and financial security.

HSoA continues to invest in capital projects such as premises and IT upgrades to meet the demands of and expanding curriculum and the growth in student numbers. Investment in a high calibre management team and specialist tutors in an ever-expanding and exciting programme of classes has supported this. The results for the year show a surplus of £63,983 (2020: £95,422 deficit) which was attributable prudent financial management and growth in children's workshop.

c. Investment policy and performance

The School is currently building up its reserves and all funds are used operationally. Any excess funds not required for immediate use will be applied against the outstanding loans.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Reserves policy

HSoA's reserves policy is based on continued operations of its activities and have identified to maintain free reserves equivalent to at least 6 months running cost to enable HSoA to meet its obligation in the shorter term and to cover any unforeseen deficits or revenue shortfalls.

Total funds at the balance sheet date were £743,475 (2020: £679,492) of which £380,036 (2019: £358,154) were restricted. Details of restricted funds are provided in note 18.

Financial risk management objectives and policies

The Trustees have assessed the major risks to which HSoA is exposed, in particular those relating to the operations and finances and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

Plans for the future

Our goal to create a thriving art school underpinned by a permanent home has been realised. This has allowed HSoA to continue developing its robust financial growth, stimulate new initiatives, contribute to positive life change and continuing learning.

Social engagement: A key focus of the art school will be growth of HSoA's social engagement programme developed to inspire new and existing audiences to participate with art via studio and virtual engagement.

Bursary programme expansion: Expanding our internal scholarship/bursaries and community projects programmes for those with greater social or educational needs that would otherwise not be met will also be a key objective.

Unleashing the Artist in Everyone: To provide more programme and bursaries for a greater number of students and continue to 'Unleash the Artist in Everyone' by creating opportunities for any person, of any age, who comes to the school wishing to develop their creative abilities and understanding.

School Expansion: We aim to secure further premises in which to encourage local artists to create work that is accessible for the local community to engage with, create a new performance space and further enrich the learning of our students.

International partnerships and reputation building: Our aim is to build on the success to date by deepening new connections and building new and exciting opportunities nationally and internationally.

2021 Financial Statements: COVID-19 Disclosure

HSoA response to COVID-19

The school adapted swiftly and conducted risk assessments to identify financial and operational risks, followed by implementation of financial, strategic, and operational strategies to limit the impact of COVID-19. Our goal was that the business remained healthy and viable through and post pandemic.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Creating a COVID Secure environment at HSoA

A comprehensive COVID-Secure strategy was implemented to ensure that students and staff were able to return to the school safely. This included implementing the following:

- Social-distancing: including limiting the capacity of studios and classes, creation of 'bubbles' within the school, directional 'traffic' management.
- Transmission-reduction: provision of masks, visors and hand sanitizers throughout the building, ventilation management.
- Cleaning programme: investment was made in new, advanced cleaning machines and personnel were re-directed to support a comprehensive disinfection and cleaning programme every hour, following each class and overnight.

Community outreach communications

It was important, despite the school being closed, that HSoA continued to communicate with its community of tutors and students to update and educate them as to what was being done to enable a safe return to art teaching at the school. Community activities increased with daily connections made with students via phone, particularly those vulnerable, shielding, or isolated from their families. A daily challenge called GetCreative provided everyone with an opportunity to continue to create art and a weekly newsletter and regular social media activity kept everyone connected to the school.

Post-lockdown Mitigation; Financial Planning:

This unavoidable and precipitous reduction in income was mitigated urgently by three critical means:

1. Utilisation of the Job Retention Scheme (furlough of staff) provided by the government to reduce staff costs while retaining staff in anticipation of a rapid post-Covid renewal of business.
2. The school has embarked a strict financial management approach to bear down on all non-essential operating costs in order to preserve cash reserves to meet unavoidable shortfalls resulting from restrictions mandated by government to counter Covid-19. These included:
 - a. Evaluation of the potential loss of income and consideration of strategies to ameliorate losses such as fee deferment, more efficient utilisation of tutors, increased use of online tutoring
 - b. Establishment of minimum monthly cash outflow requirement to identify where savings could be made, such as postponement of non-essential supplier contracts
 - c. Administration of the staff HR and furlough strategy
 - d. Implementation of agile financial strategy planning; weekly forecasting, income and expenditure, and cashflow analyses
 - e. Conduct of weekly financial reviews to evaluate the fast-changing situation and provide rapid solutions through scenario planning and quick-response execution
3. The school has been able to meet the challenge of reduced income and liquidity through utilisation of its cash reserves to meet all necessary and outstanding operating expenses.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Business Viability and Financial Risk Management

Depending on the duration of the COVID-19 pandemic, government measures and continued negative impact on economic activity, the school may experience many challenges in the near and medium term.

Challenge: Covid-Secure social-distancing policy affects available studio capacity which limits the number of students who can be enrolled into each class. For financial planning it has been assumed that this policy will be in place until the end of the summer term 2022 which limits the income that the school can receive from all classes and workshops until then.

Solution: An online booking facility has been put in place to facilitate bookings and to help administrative staff to ensure that classes are booked to the optimal attendance level and that classes with sub-optimal bookings are merged with others to better match tutor costs with class income.

Challenge: Many students at HSoA are elderly so fall into the 'at risk' cohort for Covid-19. It is therefore understandable that 20% of students have not returned for the classes for the year 2022, which will significantly reduce the school's ability to return to pre-pandemic income levels.

Solution: To achieve pre-Covid income levels the goal is to increase student numbers by offering online classes alongside studio classes. This will not only provide an option for students who are shielding to attend courses online but will also provide protection to HSoA should fuller lockdown measures be introduced in the future. Additionally, this facility will provide a new potential revenue stream in the longer term.

Challenge: HSoA has lost income in several areas of the school's established operations.

Solution: The HSoA management team has focused on growth areas of the business, such as children's classes and workshops, which have been more resilient.

Future Prospects for HSoA

Though certainly unwelcome, the 'stress test' provided by the challenge of the Covid-19 pandemic has illustrated that HSoA has been managed successfully to be a resilient and resourceful organisation. We believe that these qualities will enable HSoA to thrive in the future once the pandemic has been negotiated.

To date we are in line with our forecast of 2022, despite the class sizes being limited by social distancing.

THE HAMPSTEAD SCHOOL OF ART
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Statement of Trustees' responsibilities

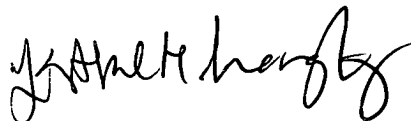
The Trustees (who are also the directors of the Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. 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 Company and of its incoming resources and application of resources, including its income and expenditure, 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 of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by order of the members of the board of Trustees on 12 April 2022 and signed on their behalf by:



Isabel H Langtry
Secretary to the Board of Trustees

**THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)**

**INDEPENDENT EXAMINER'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2021**

Independent Examiner's Report to the Trustees of The Hampstead School of Art ('the Company')

I report to the charity Trustees on my examination of the accounts of the Company for the year ended 31 August 2021.

This report is made solely to the charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. My work has been undertaken so that I might state to the charity's Trustees those matters I am required to state to them in an Independent Examiner's Report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for my work or for this report.

Responsibilities and Basis of Report

As the Trustees of the Company (and its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of the Company's accounts carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

THE HAMPSTEAD SCHOOL OF ART
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INDEPENDENT EXAMINER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Independent Examiner's Statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the Company as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities [applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)].

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Signed: *Nyman Libson Paul*

Dated: 12 April 2022

Jennifer Pope ACA

Nyman Libson Paul
Chartered Accountants
Regina House
124 Finchley Road
London
NW3 5JS

THE HAMPSTEAD SCHOOL OF ART
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**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	Restricted funds 2021 £	Unrestricted funds 2021 £	Total funds 2021 £	Total funds 2020 £
Income from:					
Donations and legacies	4	29,176	150,783	179,959	133,456
Charitable activities	5	-	731,328	731,328	633,624
Other trading activities		-	51,206	51,206	85,331
Investments	6	-	10	10	324
Total income		<u>29,176</u>	<u>933,327</u>	<u>962,503</u>	<u>852,735</u>
Expenditure on:					
Raising funds	8	-	20,601	20,601	81,481
Charitable activities	9	7,294	870,625	877,919	866,676
Total expenditure		<u>7,294</u>	<u>891,226</u>	<u>898,520</u>	<u>948,157</u>
Net movement in funds		<u>21,882</u>	<u>42,101</u>	<u>63,983</u>	<u>(95,422)</u>
Reconciliation of funds:					
Total funds brought forward		358,154	321,338	679,492	774,914
Net movement in funds		21,882	42,101	63,983	(95,422)
Total funds carried forward		<u>380,036</u>	<u>363,439</u>	<u>743,475</u>	<u>679,492</u>

The notes on pages 15 to 32 form part of these financial statements.

THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)
REGISTERED NUMBER: 03015275

BALANCE SHEET
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	1,546,625	1,565,950
		<u>1,546,625</u>	<u>1,565,950</u>
Current assets			
Debtors	14	25,555	21,407
Cash at bank and in hand		268,525	196,051
		<u>294,080</u>	<u>217,458</u>
Creditors: amounts falling due within one year	15	(395,688)	(373,293)
Net current liabilities		<u>(101,608)</u>	<u>(155,835)</u>
Total assets less current liabilities		<u>1,445,017</u>	<u>1,410,115</u>
Creditors: amounts falling due after more than one year	16	(701,542)	(730,623)
Total net assets		<u><u>743,475</u></u>	<u><u>679,492</u></u>
Charity funds			
Restricted funds	18	380,036	358,154
Unrestricted funds	18	363,439	321,338
Total funds		<u><u>743,475</u></u>	<u><u>679,492</u></u>

THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)
REGISTERED NUMBER: 03015275

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2021

The Company was entitled to exemption from audit under section 477 of the Companies Act 2006.


The members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the Trustees on
12 April 2022 and signed on their behalf by:

Julia Simpson
(Chair)



The notes on pages 15 to 32 form part of these financial statements.

THE HAMPSTEAD SCHOOL OF ART
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash used in operating activities	20	143,057	(25,503)
Cash flows from investing activities			
Interest received		10	324
Purchase of tangible fixed assets		(45,604)	(30,697)
Net cash used in investing activities		(45,594)	(30,373)
Cash flows from financing activities			
Cash inflows from new borrowing		50,000	-
Repayments of bank loan		(24,989)	(13,930)
Repayments of other loan		(50,000)	(150,000)
Net cash used in financing activities		(24,989)	(163,930)
Change in cash and cash equivalents in the year		72,474	(219,806)
Cash and cash equivalents at the beginning of the year		196,051	415,857
Cash and cash equivalents at the end of the year	21	268,525	196,051

The notes on pages 15 to 32 form part of these financial statements

THE HAMPSTEAD SCHOOL OF ART
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. GENERAL INFORMATION

The company is a company limited by guarantee and incorporated in England. The address of its registered office and principal place of business is 2 Penrose Gardens, Kidderpore Green, London, NW3 7BF. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - 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) (second edition effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Hampstead School of Art meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

2.2 Going concern

The School meets its day to day working capital requirements through the utilisation of its own funds together with a loan advanced by one of the trustees and a bank loan relating to the acquisition of the freehold. The School incurred a surplus in the year of £63,983 and as at the balance sheet date was showing a bank balance of £268,525 and net current liabilities of £101,608.

The trustees have prepared updated forecasts and projections based on a number of potential scenarios and these, together with reserves held, cost savings made and government assistance by way of the job retention scheme, indicate that the School has adequate resources to continue its operations, albeit at a potentially lower level. It is, however, difficult to determine the assumptions that will prove to be most appropriate and therefore there is an element of uncertainty existing.

After reviewing the forecasts and projections, at the time of approving these financial statements the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the next 12 months. The trustees therefore consider it appropriate to continue to adopt the going concern basis in preparing the charity's financial statements.

2.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

THE HAMPSTEAD SCHOOL OF ART
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Income

All income is recognised once the Company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Student fees represent tuition and other fees due and are accounted for on an accruals basis.

Deferred income represents students fees received in relation to tuition provided in the following year.

Bank interest and all other income is accounted for on an accruals basis.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

2.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the Company to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the Company's objectives, as well as any associated support costs.

2.6 Government grants

Government grants relating to tangible fixed assets are treated as unspent restricted income and have restricted depreciation charged to the Statement of Financial Activities over the expected useful lives of the assets concerned. Other grants are credited to the Statement of Financial Activities as the related expenditure is incurred.

THE HAMPSTEAD SCHOOL OF ART
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	2% straight line
Fixtures and fittings	-	25% reducing balance
Office equipment	-	25% reducing balance

2.8 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

2.9 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

2.10 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2.11 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably.

Liabilities are recognised at the amount that the Company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

2.12 Financial instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2.13 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

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**NOTES TO THE FINANCIAL STATEMENTS
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3. Significant accounting estimates and areas of judgment

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Tangible assets

Tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. VOLUNTARY INCOME

	Restricted funds 2021 £	Unrestricted funds 2021 £	Total funds 2021 £
Donations	-	46,111	46,111
Government Grants	29,176	104,672	133,848
Total donations	29,176	150,783	179,959

	Unrestricted funds 2020 £	Total funds 2020 £
Donations	20,906	20,906
Government Grants	112,550	112,550
	133,456	133,456

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5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2021 £	Total funds 2021 £
Tuition fees and other income	731,328	731,328

	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £
Tuition fees and other income	6,000	627,624	633,624

6. INVESTMENT INCOME

	Unrestricted funds 2021 £	Total funds 2021 £
Bank interest	10	10

	Unrestricted funds 2020 £	Total funds 2020 £
Bank interest	324	324

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7. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2021 £	Total funds 2021 £
Charity trading income		
Cafe income	20,413	20,413
Gallery exhibition income	4,577	4,577
Miscellaneous sales	26,216	26,216
TOTAL 2021	<u>51,206</u>	<u>51,206</u>

	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £
Cafe income	-	42,765	42,765
Gallery exhibition income	-	12,684	12,684
Miscellaneous sales	18,650	11,232	29,882
TOTAL 2020	<u>18,650</u>	<u>66,681</u>	<u>85,331</u>

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8. EXPENDITURE ON RAISING FUNDS

	Unrestricted funds 2021 £	Total funds 2021 £
Cafe costs (general)	14,277	14,277
Exhibition costs	1,719	1,719
Cafe costs (wages)	4,605	4,605
Total 2021	<u>20,601</u>	<u>20,601</u>

	Unrestricted funds 2020 £	Total funds 2020 £
Cafe costs (general)	32,270	32,270
Exhibition costs	26,816	26,816
Cafe costs (wages)	22,395	22,395
	<u>81,481</u>	<u>81,481</u>

9. ANALYSIS OF EXPENDITURE BY ACTIVITIES

	Direct costs 2021 £	Support costs 2021 £	Total funds 2021 £
Total charitable expenditure	<u>314,244</u>	<u>563,675</u>	<u>877,919</u>

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9. ANALYSIS OF EXPENDITURE BY ACTIVITIES (CONTINUED)

	Direct costs 2020 £	Support costs 2020 £	Total funds 2020 £
Total charitable expenditure	325,624	541,052	866,676

ANALYSIS OF DIRECT COSTS

	Activities 2021 £	Total funds 2021 £
Wages and salaries	261,794	261,794
Models	22,918	22,918
Advertising	4,480	4,480
Computer expenses	564	564
Purchases of materials	24,488	24,488
	<u>314,244</u>	<u>314,244</u>

	Activities 2020 £	Total funds 2020 £
Wages and salaries	281,457	281,457
Models	20,501	20,501
Advertising	4,468	4,468
Purchases of materials	19,198	19,198
	<u>325,624</u>	<u>325,624</u>

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9. ANALYSIS OF EXPENDITURE BY ACTIVITIES (CONTINUED)

ANALYSIS OF SUPPORT COSTS

	Activities 2021 £	Total funds 2021 £
Staff costs	338,923	338,923
Accountancy fees	6,630	6,630
Insurance	4,415	4,415
Telephone and fax	2,444	2,444
Printing, postage & stationery	5,008	5,008
Travelling expenses	3,820	3,820
Rent and rates	38,690	38,690
Repairs, maintenance and cleaning	20,332	20,332
Legal and professional fees	2,880	2,880
Bank charges	14,765	14,765
Sundry expenses	18,696	18,696
Computer expenses	11,679	11,679
Light & heat	6,489	6,489
Mortgage interest	23,975	23,975
Depreciation	64,929	64,929
Total 2021	563,675	563,675

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9. ANALYSIS OF EXPENDITURE BY ACTIVITIES (CONTINUED)

ANALYSIS OF SUPPORT COSTS (continued)

	Activities 2020 £	Total funds 2020 £
Staff costs	343,516	343,516
Accountancy fees	4,770	4,770
Insurance	4,963	4,963
Telephone and fax	2,491	2,491
Printing, postage & stationery	8,651	8,651
Travelling expenses	4,454	4,454
Rent and rates	12,647	12,647
Repairs, maintenance and cleaning	32,875	32,875
Legal and professional fees	11,630	11,630
Bank charges	14,403	14,403
Sundry expenses	2,628	2,628
Computer expenses	10,362	10,362
Light & heat	5,433	5,433
Mortgage interest	24,471	24,471
Depreciation	57,758	57,758
	<u>541,052</u>	<u>541,052</u>

10. INDEPENDENT EXAMINER'S REMUNERATION

	2021 £	2020 £
Fees payable to the Company's Independent examiner for the independent examination of the Company's annual accounts	<u>3,500</u>	<u>3,500</u>

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11. STAFF COSTS

	2021 £	2020 £
Wages and salaries	565,989	597,320
Social security costs	32,121	42,193
Contribution to defined contribution pension schemes	7,212	7,855
	<u>605,322</u>	<u>647,368</u>

The average number of persons employed by the Company during the year was as follows:

	2021 No.	2020 No.
Administration, tutors and canteen staff	<u>32</u>	<u>34</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2021 No.	2020 No.
In the band £70,001 - £80,000	-	1
In the band £80,001 - £90,000	1	1

Key management personnel remuneration for the year was £245,896 (2020: £248,921).

12. TRUSTEES' REMUNERATION AND EXPENSES

During the year, no Trustees received any remuneration or other benefits (2020 - £NIL).

During the year ended 31 August 2021, no Trustee expenses have been incurred (2020 - £NIL).

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13. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Office equipment £	Total £
Cost or valuation			
At 1 September 2020	1,523,661	235,578	1,759,239
Additions	-	45,604	45,604
At 31 August 2021	1,523,661	281,182	1,804,843
Depreciation			
At 1 September 2020	98,063	95,226	193,289
Charge for the year	30,967	33,962	64,929
At 31 August 2021	129,030	129,188	258,218
Net book value			
At 31 August 2021	1,394,631	151,994	1,546,625
At 31 August 2020	1,425,598	140,352	1,565,950

14. DEBTORS

	2021 £	2020 £
Due within one year		
Trade debtors	20,260	3,455
Other debtors	558	395
Prepayments and accrued income	4,737	17,557
	25,555	21,407

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15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Bank loans	29,697	26,781
Trade creditors	27,064	57,347
Other taxation and social security	12,330	11,524
Other creditors	58,025	76,919
Accruals and deferred income	268,572	200,722
	<u>395,688</u>	<u>373,293</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £	2020 £
Bank loans	651,542	679,447
Other loans	50,000	-
Other creditors	-	51,176
	<u>701,542</u>	<u>730,623</u>

The loan from HSBC to assist in funding the purchase of the 999 year lease, is repayable over 20 years finishing in 2038. Interest is to be charged at approximately 4% per annum for the duration of the loan.

The bank loan is secured by a fixed and floating charge over all of the company's assets.

The Bounce Back loan from HSBC, provided to further the charitable activities of the charity, has a facility amount of £50,000 and is repayable in 60 monthly installments of £887. No capital or interest payments are paid in the 12 months from the date the company drew down the loan. Interest is to be charged at a fixed interest rate of 2.5% payable on the outstanding principle amount of the loan and applicable until the final payment date.

The Bounce Back Loan is secured by guarantee from the UK Government under the Bounce Back Loan Scheme.

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NOTES TO THE FINANCIAL STATEMENTS
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17. FINANCIAL INSTRUMENTS

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through income and expenditure	268,525	196,051
	<u>268,525</u>	<u>196,051</u>
	2021 £	2020 £
Financial liabilities		
Financial liabilities measured at fair value through income and expenditure	(813,246)	(868,518)
	<u>(813,246)</u>	<u>(868,518)</u>

Financial assets measured at fair value through income and expenditure comprise of bank balances.

Financial liabilities measured at fair value through income and expenditure comprise of loans and creditors due.

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**NOTES TO THE FINANCIAL STATEMENTS
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18. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 September 2020 £	Income £	Expenditure £	Balance at 31 August 2021 £
Unrestricted funds				
General Funds - all funds	321,338	933,327	(891,226)	363,439
Restricted funds				
Building Fund	358,154	-	-	358,154
London Borough of Camden	-	29,176	(7,294)	21,882
	358,154	29,176	(7,294)	380,036
Total of funds	679,492	962,503	(898,520)	743,475

The London Borough of Camden Grant relates to a government grant received with the restriction that it is spent on the purchase of fixed assets. At the reporting date it had been spent in full and the restricted expenditure relates to depreciation.

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2019 £	Income £	Expenditure £	Balance at 31 August 2020 £
Unrestricted funds				
General Funds - all funds	420,803	828,085	(927,550)	321,338
Restricted funds				
Restricted Funds - all funds	354,111	24,650	(20,607)	358,154
Total of funds	774,914	24,650	(948,157)	679,492

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19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Restricted funds 2021 £	Unrestricted funds 2021 £	Total funds 2021 £
Tangible fixed assets	380,036	1,166,589	1,546,625
Current assets	-	294,080	294,080
Creditors due within one year	-	(395,688)	(395,688)
Creditors due in more than one year	-	(701,542)	(701,542)
Total	380,036	363,439	743,475

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £
Tangible fixed assets	358,154	1,207,796	1,565,950
Current assets	-	217,458	217,458
Creditors due within one year	-	(373,293)	(373,293)
Creditors due in more than one year	-	(730,623)	(730,623)
Total	358,154	321,338	679,492

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2021 £	2020 £
Net income/expenditure for the year (as per Statement of Financial Activities)	63,983	(95,422)
Adjustments for:		
Depreciation charges	64,929	57,758
Dividends, interests and rents from investments	(10)	(324)
Increase in debtors	(4,148)	(17,804)
Increase in creditors	18,303	30,289
Net cash provided by/(used in) operating activities	143,057	(25,503)

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Cash in hand	268,525	196,051
Total cash and cash equivalents	268,525	196,051

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	196,051	72,474	268,525
Debt due within 1 year	(26,781)	(2,916)	(29,697)
Debt due after 1 year	(679,447)	(22,095)	(701,542)

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NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £7,212 (2020 - £7,855). Contributions totalling £3,013 (2020 - £2,635) were payable to the fund at the balance sheet date and are included in creditors.

24. OPERATING LEASE COMMITMENTS

At 31 August 2021 the Company had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Not later than 1 year	21,377	-
Later than 1 year and not later than 5 years	58,158	-
Later than 5 years	60,781	-
	<u>140,316</u>	<u>-</u>

25. RELATED PARTY TRANSACTIONS

At the balance sheet date, the charity owed £51,176 (2020: £101,176) to a former trustee. This loan is interest free and repayable in full by 31 October 2022. During the year the Charity purchased goods and services of £8,280 from Aubury & Associates Limited, a company controlled by N Aubury, a trustee of the charity.