

THE ART ACADEMY

England & Wales · Charity number 1078804

Details

Other names	THE SCULPTURE ACADEMY, THE PAINTING ACADEMY
Status	Registered
Legal form	Charitable company
Company number	03801729
Registered	2000-01-07
Register	View on the Charity Commission register

Contact

Address	Mermaid Court 165a Borough High Street London SE1 1HR
Phone	02074076969
Email	info@artacademy.ac.uk
Website	www.artacademy.ac.uk

Activities

Objects: THE ADVANCEMENT OF EDUCATION IN FINE ART.

Activities: The purpose of The Art Academy is to inspire and uplift society through art and art education, providing access to art experience for all the community. The motto of The Art Academy is CREATE - MASTER - INSPIRE

Classification

- **How:** Provides Buildings/facilities/open Space, Other Charitable Activities
- **What:** Education/training, Arts/culture/heritage/science
- **Who:** Children/young People, Elderly/old People, The General Public/mankind

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-08-31	£2,032,499	£2,108,422	£309,169	20
2023-08-31	£1,862,852	£1,905,443	£385,092	20
2022-08-31	£1,652,100	£1,873,585	£427,683	23
2021-08-31	£1,348,705	£1,539,948	£649,168	19
2020-08-31	£1,366,267	£1,494,348	£840,411	15

Trustees

Name	Role	Appointed
Abimbola Oluwakemi Apalara		2023-10-27
Alan Duncan Custis		2023-09-28
Damian Fennell		2018-03-02
Melanie Ruth Gerlis		2017-05-04
Paul Mulholland		2023-07-06
Robert Pepper		2023-07-06
Timothy James Gledstone		2023-11-09

THE ART ACADEMY

England & Wales - Charity number 1078804

Accounts

The Art Academy
(A Company Limited by Guarantee)

Trustees' Report and Financial Statements
For the Year Ended 31 August 2024

The Art Academy
(A Company Limited by Guarantee)

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The Art Academy
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Reference and Administrative Details of the Charity, its Trustees and Advisers
For the Year Ended 31 August 2024

Trustees	D J Fennell M R C Gerlis K Gordon J C Littler A Bright (appointed 6 July 2023) P Mulholland (appointed 6 July 2023) R Pepper (appointed 6 July 2023) T Gledstone (appointed 9 November 2023) A Custis (appointed 28 September 2023) A Apalara (appointed 6 July 2023) S Kisielewska (née Dunbar) (appointed 6 July 2023, resigned 7 December 2023)
Company registered number	03801729
Charity registered number	1078804
Registered office	Mermaid Court 165a Borough High Street London SE1 1HR
Company secretary	S M A Zahedi
Key Management Personnel	Rob Pepper - Principal Sue Spaul - Director of Programmes Geof Thompson - Director of Operations Sophie Singh - Director of Developments Darren Nairn - Director of Academic Quality, Standards and Student Experience
Independent auditors	UHY Hacker Young Chartered Accountants Thames House Roman Square Sittingbourne Kent ME10 4BJ
Bankers	NatWest Bank Plc 250 Bishopsgate Spitalfields London EC2M 4AA

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Trustees' report

For the year ended 31 August 2024

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2023 to 31 August 2024. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable 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 (FRS102) (effective 1 January 2019).

Since the Charity 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

Governing document

The Art Academy is registered as a charitable company limited by guarantee and was set up by a Trust deed. The charity's rules of governance are set out in its memorandum and articles of association. In the event of the company winding up, the liability of its members is limited to paying in £10 each and this obligation continues to hold for a year following any resignation. The only members are the trustees.

Organisational structure

The Art Academy is led by Robert Pepper as Principal, and its executive team made up of Sue Spall, Director of Programmes & Geof Thompson, Director of Operations. They are supported by a management team of Aimee Brigginshaw, Academic Programme Manager; Alison Cowling, Public Programme Manager; Irfaan Shaikh, Finance Manager; Emily Barnes, Operations Manager and Thomas Groves, Quality Manager.

Methods of appointment or election of Trustees

Trustees are advised of their duties as well as the history and present situation of the charity before they join the board.

Policies and procedures adopted for the induction and training of trustees

Training and induction is for new trustees but will depend on their existing experience. Where necessary induction will provide training on charity legal and financial matters. All new trustees will be given a tour of the Academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans, and other documents that they will need to undertake their role as trustees.

Pay policy for key management personnel

A remuneration committee with members of the board of trustees meets once a year to set the pay policy for key personnel.

Related party relationships

At each trustees meeting any related party information is disclosed.

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

Management conduct an annual risk assessment and regularly communicate their findings to trustees in meetings.

The safety of the students is reviewed regularly by the Academy's Facilities, Health & Safety Committee, its Director of Operations, Operations Manager, Technicians, and Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Technicians.

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For the year ended 31 August 2024

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

The purpose of The Art Academy is to inspire and uplift society through art and art education, and to provide access to art experiences for all in the community. The motto of The Art Academy is 'Create - Master - Inspire'.

Aims

To contribute to the creation of great works of art, by providing the highest standard of education to students wishing to become professional artists, by giving creative opportunities to the wider community and by encouraging debate around the practice and principles of Higher Education in Fine Art.

The strategies employed by the Academy to achieve its aims include:

- Constantly striving to improve all its courses in order to train students to become professional artists capable of producing excellent work.
- Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- Seeking out and engaging the best possible tutors, resident artists, and staff to support the students in their learning.
- Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment.
- Offering students, when possible, bursaries to aid in financing their courses.
- Operating a broad and open admissions policy to encourage diversity in our student body.
- Creating the best learning opportunities, we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.
- Broadening the outreach work within Southwark by providing expert Art Academy tuition to local art groups at no charge.

Principles

- Creating an environment where our students can experiment, research, and learn from the best academic, artistic, and philosophical practitioners so we can develop visionary artists who will be the creative thinkers of the future.
- Developing creative skills, both traditional and contemporary, to support a student's freedom of expression.
- Encouraging students to understand and consider equally the conception and skills that have gone into the creation of all artworks in any medium, both traditional and contemporary.
- Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.
- Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.
- Providing a supportive, vibrant, and eclectic artistic community where creativity can be nurtured.

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For the year ended 31 August 2024

Activities

The Art Academy provides a wide-ranging programme of art education rooted in the vision and experience of its founding Principal, combining the virtues of a skills-based apprenticeship with the breadth and intellectual stimulation provided by a London college. The style of education on offer requires more commitment from its tutors than is widely available.

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

b. Strategies for achieving objectives

The Art Academy is passionate about championing art for all. We believe everyone should have access to high-quality art education, with no financial, physical, or practical barriers.

Led by an executive team that have many years of experience of both practicing art, teaching art, and running businesses their knowledge filters down to a dynamic management team and junior team and a tutor body of over 100 practicing artists.

Led by Principal Rob Pepper, The Art Academy is increasingly taking a leadership role in championing the importance of arts education and supporting arts educators nationally.

c. Activities undertaken to achieve objectives

We offer art courses for every age, levels of skill and need – from a BA and Foundation Degree to evening, weekend, and short courses in numerous disciplines such as painting, printing, metalwork & sculpture. There is also a wide-ranging outreach programme that brings art education to those that may otherwise not be able to enjoy the benefits.

d. Social investment policies

Over the last 15 years there has been a decline in the number of children taking arts subjects; a reduction in arts teaching hours; and fewer arts teachers employed in schools. Beyond school, informal programmes for young people have suffered due to cuts in local authority funds and services; and in recent years the wide-ranging impacts of the pandemic have been profound.

The Art Academy believes that in the UK there is a rapidly increasing need for quality arts education. There is now a large body of evidence regarding the benefits of art in reimagining education for the 21st Century so that we can all build a better world.

It is this evidence that drives us. We exist to empower visionaries in the arts to develop their own creative practices and to become active members of their community. We teach art in a way that can empower individuals from all walks of life, at every age, stage and level. We have seen first-hand the effect that our arts education can have on an individual's creativity, self-esteem and vision of self.

We have proven the success of our outreach programmes and now is the time to reach more people.

Our students are diverse and united by a shared ethos that an arts education is essential to building a better world. We take pride in having educated over 40,000 students over the past 25 years. In the last year alone, we taught 3,000 students. Our outreach programmes help make art education accessible to the wider community with over 350 public courses a year.

e. Main activities undertaken to further the Charity's purposes for the public benefit

The Art Academy offers something distinct and increasingly rare: the best of a traditional atelier combined with the vibrancy and diversity of a contemporary art school. This founding principle still differentiates us today.

All our tutors are practising artists and specialists in their fields. We offer tuition in core artistic skills, whilst challenging students to develop their own practice informed by contemporary processes and theory. We preserve skills, whilst believing that art never stands still.

On our academic courses we are proud to offer the highest number of contact hours of any higher education art school in the UK. In small groups, students are guaranteed a minimum of 15 hours per week in our BA and Foundation program, with the option of more.

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This minimum is five times the amount received on a comparable BA at the UK's leading institutions. This personal approach allows our students the time to master core artistic skills and unlock their creative potential.

We also run over 350 short courses a year from young artists through to masterclasses.

ACHIEVEMENTS AND PERFORMANCE

a. Main achievements of the Charity during the year

In September 2024 The Art Academy opened its new home at 185 Park Street, Bankside, after several years of planning and fundraising. This fully accessible building marks the first time in the Academy's 25-year history that all our courses, studios, and gallery spaces are compliant with the Equalities Act and open to everyone. The new campus, located next to Tate Modern, has already hosted a wide range of events including exhibitions, corporate away days, lectures, and creative workshops, underlining its role as a cultural hub for both our students and the wider public.

The Art Academy continues to deliver its unique mix of Higher Education, public courses, and outreach. In 2024–25 more than 3,500 people attended short courses, evening classes, and workshops, and the Young Artists programme remained oversubscribed, with 20% of places offered free to Southwark residents on free school meals.

The first dedicated Ceramics Studio was launched in autumn 2024, with courses immediately oversubscribed and a waiting list of over 40 students. This new facility expands the breadth of skills we can offer and creates opportunities for group and corporate sessions.

In addition, the Academy launched its new Digital Suite, supported by funding from Hg Foundation through the Tech Hub initiative. This investment has enabled us to expand provision in creative technology, offering students access to industry-standard facilities and supporting the integration of digital skills across our programmes. It has also underpinned new outreach initiatives, including the launch of a Saturday Club that provides free places for young people from local schools, widening access to digital and creative education.

Our BA Fine Art students continued to achieve excellent outcomes, with graduates going on to leading MA programmes or establishing their own practices. In 2025, we began the process of reshaping our Academic offering in response to sector-wide pressures, including the pause of new applications to the Office for Students and the suspension of our validating partner's intake. This work will inform the launch of new academic courses, ensuring that the Academy's mission to provide high-quality, skills-based art education remains sustainable.

b. Key performance indicators

Our KPIs this year have centred on:

- **Campus transition:** Successfully moving into and operating from the new Bankside site on time and on budget.
- **Student numbers:** Maintaining strong attendance across public courses (3,500+) despite wider pressures from the cost-of-living crisis.
- **Outreach delivery:** Meeting our commitment to provide 20% of Young Artist places free to Southwark children on free school meals.
- **Fundraising:** Raising over £750,000 towards the new building through donations, grants, and CIL funding from Southwark, with continuing support from Patrons, corporate partners, and trusts.
- **Innovation in provision:** Establishing the Hg Tech Hub and Ceramics Studio, expanding both traditional and technology-based practice.

c. Review of activities

The Academy continues to provide an inclusive and high-quality art education. Our public courses, from beginners' drawing to figure sculpture, remain at the heart of our mission to make creativity accessible. Demand has shifted towards shorter, more affordable courses, reflecting the cost-of-living climate, while our professional-level courses and bespoke sessions for companies have shown steady growth.

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The Artists 'Gallery, inaugurated in autumn 2024 with the *Past, Present, Future* exhibition, provides a professional platform for our community of tutors and students and an additional revenue stream. Alongside this, the Project Space and Auditorium are supporting a growing programme of events and partnerships.

The development of the Digital Suite, funded through the Hg Tech Hub, has been transformative in opening up opportunities for our students and local young people to engage with creative technology. Through this, we have piloted new digital art courses and established a Saturday Club for young people from Southwark, ensuring that those who may not otherwise have access to such resources can explore creative and technical pathways.

Despite challenges in the Higher Education landscape, the Academy has maintained its reputation as an innovative and student-centred institution. Plans are now underway to develop modular programmes and micro-credentials as part of the future Academic offer, widening participation and responding to the evolving needs of students and the sector.

d. Factors relevant to achieving objectives

Key factors include maintaining financial resilience through fundraising and earned income, adapting provision in light of Higher Education regulatory changes, and supporting our staff team during a period of organisational transition. The continued involvement of trustees, donors, and corporate partners remains vital.

e. Fundraising activities and income generation

Fundraising in 2024–25 built on the success of previous campaigns. The Academy raised over £750,000 towards the Bankside campus fit-out, with significant contributions from individual Patrons, corporate sponsors, and Southwark Council. The Fundraising Committee, chaired by Natasha Kaplinsky, has played a central role, and ongoing efforts are now directed towards core costs and strategic priorities including the completion of the Auditorium and Library, building financial reserves, and supporting new programmes.

Commercial income has also diversified, with corporate creative days, event hire, and the new ceramics studio all contributing to a stronger income mix. These activities align with our goal of ensuring long-term sustainability while staying true to our charitable mission.

Financial review

a. Going concern

The Trustees have considered the financial position of The Art Academy and the principal risks facing the organisation. At the date of approving these financial statements, the Trustees acknowledge the existence of a material uncertainty which may cast doubt on the charity's ability to continue as a going concern.

This uncertainty relates to the sale of the Academy's freehold property at Mermaid Court. Several offers have been received, but all are dependent on the granting of planning permission. The planning process is underway, and once permission is secured the Trustees expect the sale to complete. Proceeds from the sale will be used to restore free reserves to the target level, provide working capital, and strengthen the long-term financial position of the charity.

In the meantime, the Academy continues to manage cash flow closely, supported by income from public courses, fundraising, and new commercial activities at the Bankside site. The Trustees have taken steps to diversify income streams and control expenditure. On this basis, the Trustees believe the charity remains viable and that the going concern basis of accounting is appropriate.

Further information is provided in the going concern accounting policy within note 2.

b. Reserves policy

The Trustees review the reserves policy annually. The Academy requires reserves to safeguard against unforeseen shocks, protect staff and students, and ensure delivery of charitable objectives.

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For the year ended 31 August 2024

The target level of free reserves remains £390,000, equivalent to approximately three months of operating expenditure. At present, the Academy does not hold any free reserves: while total unrestricted reserves were £309,169 at 31 August 2024 these were all invested in tangible fixed assets, including the freehold at Mermaid Court.

Rebuilding reserves is therefore a strategic priority, alongside stabilising the operating model at the new Bankside site.

c. Principal risks and uncertainties

The Trustees maintain a risk register, reviewed regularly by the Board. The key risks for the year ahead are:

- **Higher Education regulatory environment:** The pause in Office for Students applications and the suspension of our validating partner's intake pose risks to continuity of the BA programme. *Mitigation:* development of a self-validated Diploma in Fine Art and exploration of new partnership models.
- **Cash flow pressures:** The Academy continues to operate with limited reserves. *Mitigation:* close cash flow monitoring, diversification of income (events, corporate, ceramics, digital suite), and focused fundraising for core costs.
- **Public course demand:** Ongoing cost-of-living pressures may reduce discretionary spend on longer courses. *Mitigation:* adapting offer to shorter, lower-cost formats and expanding oversubscribed courses such as ceramics and Young Artists.
- **Fundraising:** Risk of over-reliance on one-off campaigns. *Mitigation:* strengthening the Patron scheme, diversifying trusts and foundations pipeline, and pursuing multi-year support.
- **Mermaid Court disposal:** Planning delays could affect ability to realise value. *Mitigation:* active engagement with planning consultants and trustees' oversight of timetable.
- **Events ramp-up:** Income from the new gallery, auditorium, and project space may take time to reach target levels. *Mitigation:* dedicated events strategy and competitive pricing structure.

d. Financial risk management objectives and policies

The Academy's main financial risks are:

- **Market risk** – demand for courses may be affected by wider economic climate.
- **Interest rate risk** – increased mortgage costs impact cash flow.
- **Liquidity risk** – low reserves increase vulnerability to shocks.
- **Credit risk** – risk of delayed payments from students and partners.

Management provides Trustees with regular management accounts, reforecasts, and cash flow projections. Financial decisions and corrective measures are reviewed at each Board meeting.

e. Principal funding

The Academy's principal funding sources remain student fees from academic and public courses, supplemented by income from events, venue hire, and creative days. Fundraising, including from trusts and foundation support, provides an essential contribution towards core costs and investment in new provision. The Hg Tech Hub funding for the Digital Suite represents a significant new stream of support, enabling outreach and digital learning programmes.

f. Review of the results

Total income for the year was £2.03m, compared with £1.86m in 2022–23. Whilst income from charitable activities had decreased, the charity benefits from a significant level of donations during the year; some of these were cash donations and others were donated assets which have been capitalised on the balance sheet.

Expenditure for the year was £2.11m, an increase on £1.91m in the previous year. It should be noted that the main reason for the rise in expenditure is the increase in rent costs to £298k (2023: £119k). This is as a result of the charity entering into the new Bankside campus

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For the year ended 31 August 2024

lease from January 2024; the rental charge includes lease incentive adjustments as explained in note 3 to the financial statements. From a cash perspective a peppercorn rent period until 30 June 2024 and then a reduced rent period for the next two years to 30 June 2026 have helped the charity manage the cost of transitioning to the new lease.

The result for the year is therefore a net deficit, or reduction in funds, of £75,923 (2023: £42,591).

While the deficit reflects continued financial pressures, underlying performance in public courses was strong, with over 3,500 enrolments. New commercial activities — including events, ceramics, and corporate creative days — generated additional earned income. Fundraising, while reduced from the exceptional levels of 2023, continued to secure substantial contributions towards the new building and core costs.

Cash flow remained under pressure due to limited reserves and ongoing mortgage obligations, but was actively managed throughout the year. The priority for 2025–26 is to stabilise operations at Bankside, rebuild reserves, and focus fundraising on core costs rather than capital.

Plans for future periods

The year ahead will be a period of consolidation and renewal for The Art Academy. Having successfully opened the Bankside campus, the priority is now to stabilise operations, strengthen financial resilience, and position the Academy for long-term sustainability.

Key priorities for 2025–26 are:

- **Completion of the Mermaid Court sale:** Securing planning permission and concluding the disposal of Mermaid Court remains central to restoring free reserves and achieving the financial stability required to support the Academy's long-term future.
- **Higher Education provision:** Building on the Academy's strong track record in student-centred teaching, work will continue to develop our academic courses. This will ensure that students continue to benefit from high-quality, practice-based study pathways, even in the face of wider regulatory challenges.
- **Rebuilding reserves:** Following the sale of Mermaid Court, the Trustees are committed to rebuilding reserves to the target level of £390,000, providing essential resilience and safeguarding the Academy's mission.
- **Expanding provision:** Growth in ceramics, digital courses, and the Young Artists programme will be supported, ensuring the Academy remains at the forefront of creative and skills-based learning. The Hg Foundation Tech Hub will enable further development of digital outreach, including the Saturday Club for local young people.
- **Events and commercial activity:** The Artists 'Gallery, Project Space, and Auditorium will be developed into sustainable income streams, balancing public benefit with financial contribution. Corporate creative days and external events will be expanded, leveraging the Academy's prime location next to Tate Modern.
- **Fundraising:** With over £2.5m already raised for the Bankside campus over the past three years, fundraising will now focus on core costs, bursaries, and the completion of the Auditorium and Library. The Patrons 'scheme, trusts and foundations, and corporate partnerships will be central to this effort.

Through these plans, the Trustees are confident that the Academy will continue to provide transformative opportunities for students, artists, and the community, while building the financial strength required to sustain its charitable mission for the next 25 years.

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the Charity 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 Charity and of its incoming resources and application of resources, including its income and expenditure, for that period.

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Trustees' report For the year ended 31 August 2024

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 Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- as far as that Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

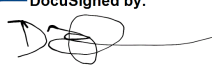
Auditors

The auditors, UHY Hacker Young, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

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

Signed by:

26F0B52589DC42A...
A Custis
Trustee

DocuSigned by:

2088604D0CF24F3...
D J Fennell
Trustee

Date: 20 October 2025

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Independent Auditors' Report to the Members of The Art Academy

Opinion

We have audited the financial statements of The Art Academy (the 'charity') for the year ended 31 August 2024 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 August 2024 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the charitable company's ability to continue as a going concern is dependent on the sale of its Mermaid Court premises, and the timing of this, and then longer term how financial performance is improved to cover an increase fixed cost base. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the charitable company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Independent Auditors' Report to the Members of The Art Academy (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration 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' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of 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.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the charitable company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the

The Art Academy
(A Company Limited by Guarantee)

Independent Auditors' Report to the Members of The Art Academy (continued)

- operations of the charitable company, including the Charities Act 2011;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence; and
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:


- agreeing financial statement disclosures to underlying supporting documentation;
- reading minutes of meetings of those charged with governance; and
- enquiring of management and representatives of Trustees as to actual and potential litigation and claims.

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 Auditors' Report.

Use of our 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Allan Hickie BSc FCA (Senior statutory auditor)

for and on behalf of

UHY Hacker Young

Chartered Accountants

Thames House

Roman Square

Sittingbourne

Kent

ME10 4BJ

Date: 23 October 2025

The Art Academy
(A Company Limited by Guarantee)

Statement of financial activities (incorporating income and expenditure account)
For the Year Ended 31 August 2024

	Note	Unrestricted funds 2024 £	Restricted funds 2024 £	Total funds 2024 £	Total funds 2023 £
Income from:					
Donations and legacies	4	489,729	50,000	539,729	51,604
Charitable activities	5	1,023,649	-	1,023,649	1,273,681
Other trading activities	6	467,885	-	467,885	536,267
Investments	7	1,236	-	1,236	1,300
Total income		1,982,499	50,000	2,032,499	1,862,852
Expenditure on:					
Raising funds		80,133	-	80,133	92,660
Charitable activities	8	2,028,289	-	2,028,289	1,812,783
Total expenditure		2,108,422	-	2,108,422	1,905,443
Net movement in funds		(125,923)	50,000	(75,923)	(42,591)
Reconciliation of funds:					
Total funds brought forward		385,092	-	385,092	427,683
Net movement in funds		(125,923)	50,000	(75,923)	(42,591)
Total funds carried forward	19	259,169	50,000	309,169	385,092

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 16 to 33 form part of these financial statements.

The Art Academy
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Registered number: 03801729

Balance Sheet
As at 31 August 2024

	Note	2024 £	2023 £
Fixed assets			
Intangible assets	13	16,996	9,000
Tangible assets	14	4,221,676	1,668,644
		<u>4,238,672</u>	<u>1,677,644</u>
Current assets			
Stocks	15	54,226	54,226
Debtors	16	96,741	173,651
Cash at bank and in hand		125,723	169,642
		<u>276,690</u>	<u>397,519</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(772,954)	(643,178)
		<u>(496,264)</u>	<u>(245,659)</u>
Total assets less current liabilities			
		3,742,408	1,431,985
Creditors: amounts falling due after more than one year	18	(3,433,239)	(1,046,893)
		<u>309,169</u>	<u>385,092</u>
Total net assets			
		<u><u>309,169</u></u>	<u><u>385,092</u></u>
Charity funds			
Restricted funds	19	50,000	-
Unrestricted funds	19	259,169	385,092
		<u>309,169</u>	<u>385,092</u>
Total funds			
		<u><u>309,169</u></u>	<u><u>385,092</u></u>


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 and signed on their behalf by:

Signed by:

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A Custis

DocuSigned by:

 2088604D0CF24F3...
D J Fennell

Date: 20 October 2025

The notes on pages 16 to 33 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Net cash used in operating activities	21	176,501	94,015
Cash flows from investing activities			
Purchase of intangible assets		(10,752)	(9,000)
Purchase of tangible fixed assets		(1,061,809)	(27,914)
Interest received		1,236	1,300
Net cash used in investing activities		(1,071,325)	(35,614)
Cash flows from financing activities			
Cash inflows from new borrowing		155,000	-
Repayments of borrowing		(124,157)	(29,122)
New finance leases		950,839	-
Repayments of finance leases		(35,635)	-
Interest payable		(95,142)	(83,201)
Net cash provided by/(used in) financing activities		850,905	(112,323)
Change in cash and cash equivalents in the year		(43,919)	(53,922)
Cash and cash equivalents at the beginning of the year		169,642	223,564
Cash and cash equivalents at the end of the year	22	125,723	169,642

The notes on pages 16 to 33 form part of these financial statements

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2024

1. General information

The Art Academy is a charitable company limited by guarantee, registered in England and Wales. Its registered office is Mermaid Court, 165a Borough High Street, London, SE1 1HR.

The nature of the charity's operations, and its principal activity is to inspire and uplift society through art and art education, and to provide access to art experience for all the community.

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) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Art Academy 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 Trustees of The Art Academy carry out an annual assessment of the appropriateness of adopting the going concern basis in preparing the financial statements. This includes reviewing any material uncertainties that may affect the Academy's ability to continue operating for a period of at least twelve months from the date of approval of these accounts.

A key factor in this assessment remains the continued support of our banking partner, Nat West. While the balance sheet reflects net current liabilities of £496,264 - compared to a position of (£245,659 in net current liabilities the previous year - the structured repayment terms and stability of this banking facility are essential to managing short-term liquidity and overall financial resilience.

As of the approval date of these financial statements, enrolment across The Art Academy's public programme remains strong, with particularly successful terms following the move to the new Bankside Campus. The relocation has significantly contributed to visibility, reputation, and business stability. While Thursdays were originally removed from the timetable to allow for events, experience has shown that most event activity can now be accommodated without affecting course delivery.

In contrast, the Higher Education provision is undergoing a period of instability. Following the move to Bankside, The Art Academy applied for registration with the Office for Students (OfS). However, after several months with no progress, the OfS confirmed that the government had paused all current and future applications until at least August 2025. This has had a significant operational and financial impact. Our validating partner, The Open University (OU), has now required us to pause all new enrolments for 2025/26, although existing students remain unaffected. The partnership with the OU remains in place, but the pause in intake has required a rethinking of the Academy's long-term academic model.

In response, fundraising and commercial revenue generation have become core priorities. The Fundraising Committee has remained active, and this year's annual Christie's-style auction was successfully held at the new building. In addition, the Academy has secured a £250,000 Community Infrastructure Levy (CIL) grant from Southwark Council (pending release), and a partnership with the Hg Foundation is now underway. This includes the establishment of a Creative Tech Hub and support for expanded outreach activity.

The 25-year lease on the Bankside Campus, signed in January 2024, remains one of the Academy's most significant strategic achievements. While the majority of the fit-out is complete, final works are still required for the storage area and shop, which are contingent on the release of Community Infrastructure Levy (CIL) grant funds from Southwark Council. The auditorium and library also remain unfunded. Despite these gaps, the campus is already delivering significant value, with increased bookings for gallery hire, events, and corporate functions. These are now being secured well into the 2025-26 period. The site is now fully accessible and Equality Act compliant.

Forecasts for 2025-26 are under strain due to the pausing of HE enrolments. This has removed an anticipated income stream from student loans and international students. As a result, the forecasts now project a deficit. The sale of Mermaid Court — a central part of the Academy's long-term financial strategy — is therefore essential to ensure the organisation

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

2. Accounting policies (continued)

2.2 Going concern (continued)

remains a going concern.

The Academy is in the process of selling its Mermaid Court site, with a conditional offer of £2.6 million and planning progressing positively. However, the timing and final value remain subject to external factors, including the planning process and market conditions. To ensure continuity, the Trustees are also exploring short-term loan options, including from committed patrons.

The Academy is currently enjoying a period of reduced rent at the Bankside Campus, which finishes in June 2026. Moving into the full rent period will naturally impact on cash flow, and management are working hard to ensure that the Academy is able to generate sufficient income to come the increased costs. Furthermore, the charity is currently in negotiations with its landlord to reduce the level of rent payable under the lease for its new premises.

The dependency on yet uncertainty over the timing of the sale of Mermaid Court, and then longer term how the Academy improves financial performance to cover an increase fixed cost base, present further material uncertainties that may cast doubt on the Academy's ability to continue as a going concern. Nevertheless, the Trustees are confident in the underlying value of Mermaid Court, the success of the Bankside Campus launch, and the strength of the Academy's commercial and fundraising strategies. On this basis, they believe it remains appropriate to prepare the financial statements on a going concern basis.

2.3 Income

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

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

2.4 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 Charity 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 Charity's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

2.5 Allocation and apportionment of costs

Detailed management accounts are kept with costs allocated on a causal basis and checked against budgets. The level of detail is considered too great for published accounts. In these financial statements cost allocations are the summaries of that management information. Matching restricted costs with relevant funds is made as accurately as possible by referring to the terms of the donor. The administration cost allocation between fundraising activities, teaching and resident artists in the published SOFA is made on the basis of respective turnover. Property costs are allocated to the activities by dedicated floor space.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2024

2. Accounting policies (continued)

2.6 Intangible assets and amortisation

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

Amortisation is provided on the following basis:

Computer software	-	20 %
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2.7 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on the following basis:

Freehold property	-	2%
Long-term leasehold property	-	2% Over lease terms
Plant and machinery	-	20%
Fixtures and fittings	-	20%
Computer equipment	-	20%

Leasehold improvements

Expenditure on leasehold improvements is capitalised where it is probable that the future economic benefits associated with the expenditure will flow to the charity and the cost can be measured reliably. Leasehold improvements are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is provided to write off the cost of leasehold improvements, less estimated residual value, on a straight-line basis over the shorter of the lease term or the useful life of the asset. Residual value is normally assumed to be nil, as the assets revert to the landlord at the end of the lease.

Expenditure on repairs, maintenance, or day-to-day servicing of leasehold property is recognised in the Statement of Financial Activities when incurred. Where subsequent expenditure represents an enhancement of the economic benefits of the property, it is capitalised as an addition to leasehold improvements and depreciated over the appropriate period.

2.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

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.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2024

2. Accounting policies (continued)

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 Charity 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised in the Statement of Financial Activities as a finance cost.

2.12 Financial instruments

The Charity 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 Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Charity. Obligations under such agreements are included in creditors, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Financial Activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of benefits received. Lease incentives, including rent-free and reduced rent periods, are spread on a straight-line basis over the lease term. Where a lease contains break clauses, the expected lease term used for straight-line allocation is the non-cancellable period unless it is reasonably certain that the break option will not be exercised.

2.15 Pensions

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

2.16 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 Charity 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 Charity 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 Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2024

3. Critical accounting estimates and areas of judgment

Preparation of the accounts requires the Trustees and management to make significant judgments and estimates. The items in the accounts where these judgments have been made include: the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; the provision against doubtful and bad debts in respect of course fees; estimates in respect of accrued expenditure.

The following critical accounting estimates and judgements require a further explanation:

Bankside Campus - calculation of minimum lease payments

The charity holds a long-term property operating lease which includes an initial peppercorn rent period, followed by a period of reduced rent and thereafter rent at a contracted market rate. Rent reviews occur every five years, but the lease terms specify that rent cannot fall below the current contracted rent.

In applying FRS 102, management has judged that the peppercorn and reduced rent periods represent lease incentives. Accordingly, the total fixed minimum lease payments over the non-cancellable lease term have been allocated on a straight-line basis so as to recognise a consistent annual lease expense in the Statement of Financial Activities. This treatment gives rise to an accrual in the early years of the lease as the straight-line expense exceeds the actual cash rent payable, which will unwind as the lease progresses.

The lease also contains landlord and tenant break options at certain points during the term. Management has considered the likelihood of these being exercised in assessing the appropriate lease term for accounting purposes. Based on current information and the charity’s operational dependence on the property, management considers it appropriate to assume that the lease will run to its contractual expiry date unless and until a break is exercised. Should a break option be exercised earlier, the straight-line expense profile would be recalculated over the shortened lease term and any remaining accrual or prepayment adjusted through the Statement of Financial Activities at that time.

Lease incentives and leasehold improvements

In preparing these financial statements, the trustees have exercised judgement in determining the appropriate accounting treatment of the significant fit-out works to the new premises which were undertaken and funded directly by the landlord/developer as part of the lease arrangements. The trustees have considered the substance of the transaction and concluded that these works represent a lease incentive rather than a donation in kind. This judgement was based on the fact that the works were provided by the landlord as part of the negotiated lease package, and entitlement to them was conditional upon the charity entering into the lease.

Accordingly, the value of the works has been capitalised as leasehold improvements with a corresponding deferred lease incentive liability recognised. The lease incentive is being released to the Statement of Financial Activities over the term of the lease as a reduction of rental expense, while the leasehold improvements are depreciated over the shorter of the lease term or their useful economic life. The net effect of these accounting treatments is that the SoFA reflects the economic substance of the lease arrangements, with the timing of income and expense recognition dependent on the assumptions applied to the lease term and useful life of the improvements.

4. Income from donations and legacies

	Unrestricted funds 2024 £	Restricted funds 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Donations and voluntary grants	489,729	50,000	539,729	51,604
<i>Analysis of 2023 total by fund</i>	<i>51,604</i>	<i>-</i>	<i>51,604</i>	

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

5. Income from charitable activities

	Unrestricted funds 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Teaching art classes	1,023,526	1,023,526	<i>1,265,155</i>
Resident artists' studios	123	123	<i>8,526</i>
Total 2024	1,023,649	1,023,649	<i>1,273,681</i>
<i>Analysis of 2023 total by fund</i>	<i>1,273,681</i>	<i>1,273,681</i>	

6. Income from other trading activities

Income from fundraising events

	Unrestricted funds 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Christie's auction	252,900	252,900	<i>198,869</i>
Creativity team building	2,450	2,450	<i>6,770</i>
Sale of art materials	56,388	56,388	<i>79,746</i>
Other miscellaneous income	156,147	156,147	<i>250,882</i>
	467,885	467,885	<i>536,267</i>
<i>Analysis of 2023 total by fund</i>	<i>536,267</i>	<i>536,267</i>	

7. Investment income

	Unrestricted funds 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Investment income	1,236	1,236	<i>1,300</i>
<i>Analysis of 2023 total by fund</i>	<i>1,300</i>	<i>1,300</i>	

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2024

8. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2024 £	Total 2024 £	<i>Total 2023 £</i>
Teaching art classes	2,028,289	2,028,289	<i>1,812,783</i>
	<u>2,028,289</u>	<u>2,028,289</u>	
<i>Analysis of 2023 total by fund</i>	<u>1,812,783</u>	<u>1,812,783</u>	

9. Analysis of expenditure by activities

	Activities undertaken directly 2024 £	Support costs 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Teaching art classes	611,625	1,416,664	2,028,289	<i>1,812,783</i>
	<u>611,625</u>	<u>1,416,664</u>	<u>2,028,289</u>	
<i>Analysis of 2023 total</i>	<u>659,630</u>	<u>1,153,153</u>	<u>1,812,783</u>	

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Notes to the Financial Statements
For the Year Ended 31 August 2024

9. Analysis of expenditure by activities (continued)

Analysis of direct costs

	Total funds 2024 £	<i>Total funds 2023 £</i>
Course material	100,518	94,318
Tutor costs	366,002	417,452
Marketing & advertising	53,200	45,426
Other course material	90,866	78,702
Shop material	1,039	23,732
Total 2024	611,625	659,630

Analysis of support costs

	Total funds 2024 £	<i>Total funds 2023 £</i>
Staff costs	667,738	622,520
Administration costs	59,621	56,941
Legal and professional costs	57,339	40,210
Property expenses	597,642	392,300
Sundry costs	4,924	27,039
Bank charges	29,400	14,143
Total 2024	1,416,664	1,153,153

The increase in property expenses above arises primarily due to increased rental costs following the move to the new leasehold premises at at the Bankside Campus, which includes the recognition of lease incentive charges as outlined in note 3.

10. Auditors' remuneration

	2024 £	<i>2023 £</i>
Fees payable to the Charity's auditor for the audit and preparation of the Charity's annual accounts (inclusive of irrecoverable VAT for 2023)	13,500	10,800

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

11. Staff costs

	2024	<i>2023</i>
	£	£
Wages and salaries	607,226	572,736
Social security costs	42,972	35,783
Contribution to defined contribution pension schemes	17,540	14,001
	<u>667,738</u>	<u>622,520</u>

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

	2024	<i>2023</i>
	No.	<i>No.</i>
Executive	6	6
Administration	11	11
Technical services	3	3
	<u>20</u>	<u>20</u>

No employee received remuneration amounting to more than £60,000 in either year.

The Key Management Personnel of The Art Academy comprise the Trustees and senior managers as listed on Page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £162,216 (2023: £81,931). The increase compared to the prior year is due to taking a different approach this year which has resulted in more individuals being classed as key management.

12. Trustees' remuneration and expenses

The Principal is paid remuneration, and receives pension benefits, from his employment with the Charity. The remuneration paid is solely in respect of services provided under his contract of employment, with no remuneration being received for serving as a trustee. The comparative figure relates entirely to the period after his appointment as a trustee on 6 July 2023. Amounts paid during the year were:

		2024	<i>2023</i>
		£	£
R Pepper	Remuneration	50,938	8,490
	Pension contributions paid	6,159	708

During the year ended 31 August 2024, no Trustee expenses have been incurred (2023 - £NIL).

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Notes to the Financial Statements
For the Year Ended 31 August 2024

13. Intangible assets

	Computer software £
Cost	
At 1 September 2023	9,000
Additions	10,752
At 31 August 2024	<u>19,752</u>
Amortisation	
Charge for the year	2,756
At 31 August 2024	<u>2,756</u>
Net book value	
At 31 August 2024	<u>16,996</u>
<i>At 31 August 2023</i>	<u>9,000</u>

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Fixtures, fittings and computer equipment £	Fixtures, fittings and computer equipment £	Total £
Cost					
At 1 September 2023	1,820,306	25,567	152,388	194,135	2,192,396
Additions	-	2,555,444	1,095	51,818	2,608,357
Disposals	-	(10,022)	(127,645)	(57,321)	(194,988)
At 31 August 2024	<u>1,820,306</u>	<u>2,570,989</u>	<u>25,838</u>	<u>188,632</u>	<u>4,605,765</u>
Depreciation					
At 1 September 2023	216,306	10,819	144,233	152,395	523,753
Charge for the year	27,000	3,109	4,423	20,045	54,577
On disposals	-	(10,022)	(126,899)	(57,320)	(194,241)
At 31 August 2024	<u>243,306</u>	<u>3,906</u>	<u>21,757</u>	<u>115,120</u>	<u>384,089</u>
Net book value					
At 31 August 2024	<u>1,577,000</u>	<u>2,567,083</u>	<u>4,081</u>	<u>73,512</u>	<u>4,221,676</u>
At 31 August 2023	<u>1,604,000</u>	<u>14,748</u>	<u>8,155</u>	<u>41,740</u>	<u>1,668,643</u>

Included in freehold property is land at cost of £455,077 which is not depreciated.

15. Stocks

	2024 £	2023 £
Goods for resale	<u>54,226</u>	<u>54,226</u>

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Notes to the Financial Statements
For the Year Ended 31 August 2024

16. Debtors

	2024	<i>2023</i>
	£	<i>£</i>
Due within one year		
Trade debtors	43,645	<i>123,068</i>
Other debtors	27,737	<i>26,035</i>
Prepayments	25,359	<i>24,548</i>
	<u>96,741</u>	<u><i>173,651</i></u>

17. Creditors: Amounts falling due within one year

	2024	<i>2023</i>
	£	<i>£</i>
Bank loans	75,050	<i>61,919</i>
Trade creditors	133,983	<i>262,095</i>
Other taxation and social security	10,990	<i>11,267</i>
Obligations under finance lease contracts	170,309	<i>-</i>
Other creditors	33,537	<i>49,419</i>
Accruals and deferred income	349,085	<i>258,478</i>
	<u>772,954</u>	<u><i>643,178</i></u>
	2024	<i>2023</i>
	£	<i>£</i>
Deferred income at 1 September 2023	209,963	<i>110,224</i>
Resources deferred during the year	197,965	<i>209,963</i>
Amounts released from previous periods	(209,963)	<i>(110,224)</i>
	<u>197,965</u>	<u><i>209,963</i></u>

Deferred income at the year-end comprised course fee income received in advance of £197,965 (2023: £209,963).

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

18. Creditors: Amounts falling due after more than one year

	2024	<i>2023</i>
	£	£
Bank loans	1,161,424	<i>1,046,893</i>
Net obligations under finance lease contracts	744,895	-
Accruals	1,526,920	-
	<u>3,433,239</u>	<u><i>1,046,893</i></u>

Accruals falling due after more than one year relate to lease incentives. The approach taken with lease incentives is explained in note 3.

Included within the bank loans above are amounts falling due as follows:

	2024	<i>2023</i>
	£	£
Between one and two years		
Bank loans	<u>214,109</u>	<u><i>61,919</i></u>
Between two and five years		
Bank loans	<u>177,327</u>	<u><i>185,757</i></u>
Over five years		
Bank loans	<u>769,988</u>	<u><i>799,217</i></u>

The maturity of net obligations under finance lease contracts falling due after more than one year is:

Between one and two years	180,814	-
Between two and five years	564,081	-

A 20 year arrangement was agreed with Nat West bank and signed on 22 March 2021. The 20 year mortgage loan is secured on the charity's freehold property at 165a Borough High Street and is repayable by monthly instalments, the full balance including interest will be repaid in March 2041.

The obligations under the finance lease contracts are secured on the assets concerned, and the company's rights to the assets revert to the lessor or vendor in the event of default.

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

19. Statement of funds

Statement of funds - current year

	Balance at 1 September 2023 £	Income £	Expenditure £	Balance at 31 August 2024 £
Unrestricted funds				
General Funds	385,092	1,982,499	(2,108,422)	259,169
Restricted funds				
Foyle Foundation	-	50,000	-	50,000
Total of funds	385,092	2,032,499	(2,108,422)	309,169

The restricted Foyle Foundation fund relates to a grant received during the year that must be used towards the fit out costs of the new Bankside campus. Depreciation has not been charged on the capitalised works at the Bankside campus for 2023/24 since the building was not brought into use until September 2024. In future years depreciation related to the assets purchased by this grant will be recorded against the fund, which will consequentially reduce over the life of the assets concerned.

Statement of funds - prior year

	<i>Balance at 1 September 2021 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Balance at 31 August 2023 £</i>
Unrestricted funds				
General Funds	427,683	1,862,852	(1,905,443)	385,092

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

20. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2024 £	Restricted funds 2024 £	Total funds 2024 £
Tangible fixed assets	4,171,676	50,000	4,221,676
Intangible fixed assets	16,996	-	16,996
Current assets	276,690	-	276,690
Creditors due within one year	(772,954)	-	(772,954)
Creditors due in more than one year	(3,433,239)	-	(3,433,239)
Total	259,169	50,000	309,169

Analysis of net assets between funds - prior period

	<i>Unrestricted funds 2023 £</i>	<i>Total funds 2023 £</i>
Tangible fixed assets	<i>1,668,644</i>	<i>1,668,644</i>
Intangible fixed assets	<i>9,000</i>	<i>9,000</i>
Current assets	<i>397,519</i>	<i>397,519</i>
Creditors due within one year	<i>(643,178)</i>	<i>(643,178)</i>
Creditors due in more than one year	<i>(1,046,893)</i>	<i>(1,046,893)</i>
Total	385,092	385,092

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2024	<i>2023</i>
	£	<i>£</i>
Net expenditure for the period (as per Statement of Financial Activities)	(75,923)	<i>(42,591)</i>
Adjustments for:		
Depreciation and amortisation charges	57,331	<i>64,394</i>
Loss on disposal	747	<i>-</i>
Interest payable	95,142	<i>83,201</i>
Decrease/(increase) in stocks	-	<i>(26,470)</i>
Decrease/(increase) in debtors	76,910	<i>(53,961)</i>
Increase in creditors	136,745	<i>70,742</i>
Interest received	(1,236)	<i>(1,300)</i>
Donated fixed assets	(113,215)	<i>-</i>
Net cash provided by operating activities	176,501	<i>94,015</i>

22. Analysis of cash and cash equivalents

	2024	<i>2023</i>
	£	<i>£</i>
Cash in hand	188	<i>229</i>
Notice deposits (less than 3 months)	125,535	<i>169,413</i>
Total cash and cash equivalents	125,723	<i>169,642</i>

23. Analysis of changes in net debt

	At 1 September 2023	Cash flows £	New finance leases £	At 31 August 2024 £
Cash at bank and in hand	169,642	(43,919)	-	125,723
Debt due within 1 year	(61,919)	(13,131)	-	(75,050)
Debt due after 1 year	(1,046,893)	(114,531)	-	(1,161,424)
Finance leases	-	35,635	(950,839)	(915,204)
	(939,170)	(135,946)	(950,839)	(2,025,955)

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2024

24. Contingent liabilities

There is a dispute in place with the landlord of the new Bankside premises over the service charges payable for the period between the signing of the lease and the charity's occupation.

25. Pension commitments

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable by the charitable company to the fund.

The pension cost charge represents contributions payable by the group to the fund and amounted to £17,540 (2023 - £14,001). Payments of £3,994 (2023: £nil) were payable to the fund at the balance sheet date and are included in creditors.

26. Operating lease commitments

At 31 August 2024 the Charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2024	<i>2023</i>
	£	£
Not later than 1 year	208,428	74,739
Later than 1 year and not later than 5 years	241,379	56,438
Later than 5 years	8,924,763	-
	<u>9,374,570</u>	<u>131,177</u>

The commitments above include £9,325,308 in relation to the rental lease payments on the new Bankside campus, disclosed on a cash basis. Management are currently in negotiations with the landlord with the aim of reducing the rent.

In addition to the above operating lease commitments, the charity is also liable for service charge and other variable costs under these leases, which are subject to annual review based on actual costs incurred by the landlord.

The following lease payments have been recognised as an expense in the Statement of financial activities:

	2024	<i>2023</i>
	£	£
Operating lease rentals	<u>300,716</u>	<u>141,193</u>

The operating lease rental charges include premises rent, and so for 2024 include the lease incentive adjustments explained in note 3.

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Notes to the Financial Statements
For the Year Ended 31 August 2024

27. Related party transactions

The Charity has not entered into any related party transaction during the year, nor are there any outstanding balances owing between related parties and the Charity at 31 August 2024.

Income Transactions

During the year, the Charity received income totalling £37,474 from Trustees. This income was received in respect of fundraising event tickets and auction pledges made at charity auction dinner events.

These amounts were freely given, with no known or implied terms or conditions attached.

Expenditure Transactions

During the year 1 (2023 - 2) Trustee received commission on the sale of art work at fundraising events totalling £2,275 (2023 - £3,994).

Other Related Party Transactions

During the year, the charity received a loan from Alan Custis, a Trustee, to support the fit-out costs of the new premises at 185 Park Street. The loan is repayable upon the sale of Mermaid Court (169a Borough High Street, SE1 1HR), or earlier at the discretion of the Art Academy. The loan is interest-free and may be repaid in part or in full without penalty. The outstanding balance at the year-end was £25,000. No guarantees were provided, and the transaction was not conducted on arm's length terms.

THE ART ACADEMY

England & Wales - Charity number 1078804

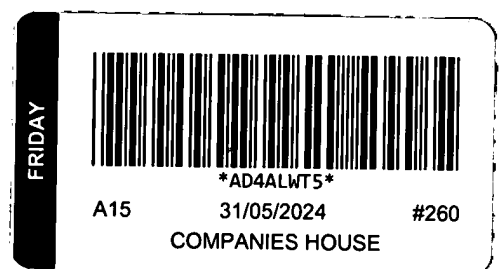
Accounts

Registered number: 03801729
Charity number: 1078804

The Art Academy
(A Company Limited by Guarantee)

Trustees' Report and Financial Statements

For the Year Ended 31 August 2023



The Art Academy
(A Company Limited by Guarantee)

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The Art Academy
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Reference and Administrative Details of the Charity, its Trustees and Advisers
For the Year Ended 31 August 2023

Trustees	D J Fennell M R C Gerlis K Gordon J C Littler A Bright (appointed 6 July 2023) P Mulholland (appointed 6 July 2023) R Pepper (appointed 6 July 2023) T Gledstone (appointed 9 November 2023) A Custis (appointed 28 September 2023) A Apalara (appointed 6 July 2023) P R Kullich (resigned 9 June 2023) D J H Wright (resigned 9 June 2023) P J Harris (resigned 30 June 2023) S Kisielewska (née Dunbar) (appointed 6 July 2023, resigned 7 December 2023)
Company registered number	03801729
Charity registered number	1078804
Registered office	Mermaid Court 165a Borough High Street London SE1 1HR
Company secretary	S M A Zahedi
Key Management Personnel	Rob Pepper - Principal Sue Spaul - Director of Programmes Geof Thompson - Director of Operations Sophie Singh - Director of Developments Darren Nairn - Director of Academic Quality, Standards and Student Experience
Independent auditors	UHY Hacker Young Chartered Accountants Thames House Roman Square Sittingbourne Kent ME10 4BJ
Bankers	NatWest Bank Plc 250 Bishopsgate Spitalfields London EC2M 4AA

The Art Academy

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Trustees' report For the year ended 31 August 2023

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2022 to 31 August 2023. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable 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 (FRS102) (effective 1 January 2019).

Since the Charity 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

Governing document

The Art Academy is registered as a charitable company limited by guarantee and was set up by a Trust deed. The charity's rules of governance are set out in its memorandum and articles of association. In the event of the company winding up, the liability of its members is limited to paying in £10 each and this obligation continues to hold for a year following any resignation. The only members are the trustees.

Organisational structure

The Art Academy is led by Robert Pepper as Principal, and its executive team made up of Sue Spaul, Director of Programmes; Darren Nairn, Director of Academic Quality, Standards and Student Experience; Sophie Singh, Director of Development & Geof Thompson, Director of Operations. They are supported by a management team of Georgina Rowlands, Academic Programme Manager; Mhairi McGhee, Public Programme Manager; Irfaan Shaikh, Finance Manager; Jane Laborie, Operations Manager and Liberty Rowley, Marketing & Communications Manager.

Methods of appointment or election of Trustees

Trustees are advised of their duties as well as the history and present situation of the charity before they join the board.

Policies and procedures adopted for the induction and training of trustees

Training and induction is for new trustees but will depend on their existing experience. Where necessary induction will provide training on charity legal and financial matters. All new trustees will be given a tour of the Academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans, and other documents that they will need to undertake their role as trustees.

Pay policy for key management personnel

A remuneration committee with members of the board of trustees has now been set up and will meet to set the pay policy for key personnel.

Related party relationships

At each trustees meeting any related party information is disclosed.

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

Management conduct an annual risk assessment and regularly communicate their findings to trustees in meetings.

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Trustees' report For the year ended 31 August 2023

The safety of the students is reviewed regularly by the Academy's Facilities, Health & Safety Committee, its Director of Operations, Facilities Manager, Technicians, and Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Technicians.

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

The purpose of The Art Academy is to inspire and uplift society through art and art education, and to provide access to art experiences for all in the community.. The motto of The Art Academy is 'Create - Master - Inspire'.

Aims

To contribute to the creation of great works of art, by providing the highest standard of education to students wishing to become professional artists, by giving creative opportunities to the wider community and by encouraging debate around the practice and principles of Higher Education in Fine Art.

The strategies employed by the Academy to achieve its aims include:

- Constantly striving to improve all its courses, in particular the BA in Fine Art, in order to train students to become professional artists capable of producing excellent work.
- Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- Seeking out and engaging the best possible tutors, resident artists, and staff to support the students in their learning.
- Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment.
- Offering students, when possible, bursaries to aid in financing their courses.
- Operating a broad and open admissions policy to encourage diversity in our student body.
- Creating the best learning opportunities, we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.
- Broadening the outreach work within Southwark by providing expert Art Academy tuition to local art groups at no charge.
- Through the work of the Research, Scholarship and Ethics Committee The Art Academy will add to the discourse around the principles of fine art practice and its relationship to higher education.

Principles

- Creating an environment where our students can experiment, research, and learn from the best academic, artistic, and philosophical practitioners so we can develop visionary artists who will be the creative thinkers of the future.
- Developing creative skills, both traditional and contemporary, to support a student's freedom of expression.
- Encouraging students to understand and consider equally the conception and skills that have gone into the creation of all artworks in any medium, both traditional and contemporary.
- Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.

The Art Academy

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Trustees' report For the year ended 31 August 2023

- Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.
- Providing a supportive, vibrant, and eclectic artistic community where creativity can be nurtured.

Activities

The Art Academy provides a wide-ranging programme of art education rooted in the vision and experience of its founding Principal, combining the virtues of a skills-based apprenticeship with the breadth and intellectual stimulation provided by a London college. The style of education on offer requires more commitment from its tutors than is widely available.

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

b. Strategies for achieving objectives

The Art Academy is passionate about championing art for all. We believe everyone should have access to high-quality art education, with no financial, physical, or practical barriers.

Led by an executive team that have many years of experience of both practicing art, teaching art, and running businesses their knowledge filters down to a dynamic management team and junior team and a tutor body of over 100 practicing artists.

Led by Principal Rob Pepper, The Art Academy is increasingly taking a leadership role in championing the importance of arts education and supporting arts educators nationally.

c. Activities undertaken to achieve objectives

We offer art courses for every age, levels of skill and need – from a BA and Foundation Degree to evening, weekend, and short courses in numerous disciplines such as painting, printing, metalwork & sculpture. There is also a wide-ranging outreach programme that brings art education to those that may otherwise not be able to enjoy the benefits.

d. Social investment policies

Over the last 15 years there has been a decline in the number of children taking arts subjects; a reduction in arts teaching hours; and fewer arts teachers employed in schools. Beyond school, informal programmes for young people have suffered due to cuts in local authority funds and services; and in recent years the wide-ranging impacts of the pandemic have been profound.

The Art Academy believes that in the UK there is a rapidly increasing need for quality arts education. There is now a large body of evidence regarding the benefits of art in reimagining education for the 21st Century so that we can all build a better world.

It is this evidence that drives us. We exist to empower visionaries in the arts to develop their own creative practices and to become active members of their community. We teach art in a way that can empower individuals from all walks of life, at every age, stage and level. We have seen first-hand the effect that our arts education can have on an individual's creativity, self-esteem and vision of self.

We have proven the success of our outreach programmes and now is the time to reach more people.

Our students are diverse and united by a shared ethos that an arts education is essential to building a better world. We take pride in having educated over 35,000 students over the past 24 years. In the last year alone, we taught 3,000 students. Our outreach programmes help make art education accessible to the wider community with over 400 public courses a year.

The Art Academy

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Trustees' report For the year ended 31 August 2023

e. Main activities undertaken to further the Charity's purposes for the public benefit

The Art Academy offers something distinct and increasingly rare: the best of a traditional atelier combined with the vibrancy and diversity of a contemporary art school. This founding principle still differentiates us today.

All our tutors are practising artists and specialists in their fields. We offer tuition in core artistic skills, whilst challenging students to develop their own practice informed by contemporary processes and theory. We preserve skills, whilst believing that art never stands still.

On our academic courses we are proud to offer the highest number of contact hours of any higher education art school in the UK. In small groups, students are guaranteed a minimum of 15 hours per week in our BA and Foundation program, with the option of more.

This minimum is five times the amount received on a comparable BA at the UK's leading institutions. This personal approach allows our students the time to master core artistic skills and unlock their creative potential.

We also run over 400 short courses a year from young artists through to masterclasses.

ACHIEVEMENT AND PERFORMANCE

a. Main achievements of the Charity

In summer of 2022 The Art Academy revalidated its Higher Education programmes with the Open University. This validation will last for five years and gives us the security of now being able to apply to join the Office for Students. A new course has been validated with a BA in Contemporary Portraiture having launched in September 2022.

In preparation for Registering with the Office for Student a mock review took place with OFS inspectors which has helped prepare for the upcoming inspection in 2024 - 2025.

The Art Academy's short course provision continues to be very well attended with over 3000 students studying with us, despite more people working from home and footfall on Borough High Street being a third of pre-pandemic numbers.

Many of our BA graduates have continued their practice or have gone onto study at MA Fine Art at many of the top universities.

A new building has been secured and lease signed for 25 years at 185 Park Street, this building is step free and will be fully Equalities Act Compliant meaning that all the course and spaces will be accessible to whoever wants to attend the courses.

b. Key performance indicators

The key performance indicators since the pandemic have been based around ensuring bounce back in a sustainable way and making sure that fundraising plans are in place to ensure move into a new building and also to help fill the loss of income due to the pandemic losses of students.

The Academy has successfully revalidated the Higher Education courses with the Open University, and will be applying to join the Office for Students in 2024. A new lease has being signed on a prime location next to Tate Modern with the money secured to fit out the building.

Review of activities

The Art Academy has twenty years' experience teaching art. We know the value of the education we offer. Over two decades we have grown without government investment and limited fundraising. Following the drop of income caused by the pandemic a new strategy was pursued based on leveraging our community to build a patron scheme alongside grant writing to raise funds for a new campus. Money and time was invested in the project with a new fundraising chair being appointed in May 2022. Natasha Kaplinsky offered to lead the fundraising campaign on a voluntary basis and a further committee was formed with a focus on hosting a large fundraising auction at Christie's in May 2023, this raised in the region of £200,000 showing the amazing support of the Art Academy Community. This is alongside a number of Patron's that have pledged amounts ranging from £10,000 - £100,000.

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Trustees' report For the year ended 31 August 2023

The Academic course numbers have yet to see the numbers pre pandemic although that is now starting to change. The Public courses continue to be well attended although the patterns are different due to the cost of living crisis. Discretionary spend is limited to cheaper shorter courses are more popular than the longer more expensive ones. There is still a strong demand for Young Artist courses as well as a number of courses being purchased directly by companies for their employees.

A long-term building plan has been put in place with strong support from high-level stakeholders including developers JTRE and Southwark Council. Support has been given to design a state of the art campus next to Tate Modern, with a gallery, cafe, materials shop alongside nine studios which in due course will provide ancillary income streams. The developer has gifted their time, expertise and the building will be ready for moving in Summer 2024.

c. Factors relevant to achieve objectives

Financial support for the staff, competent leadership, the correct investment of funds and support from the trustees are all relevant factors in achieving the objectives.

d. Fundraising activities and income generation

A fundraising campaign is now being implemented, the proceeds of which will help fit out the premises and invest in the staff and fabric of The Art Academy to aid post-pandemic recovery and build resilience against future unknowns.

Natasha Kaplinsky continues in her role of Fundraising Chair assisted by a fundraising committee that includes leading art world professionals as well as some high-net-worth individuals to help fulfil the Art Academy's vision of moving into new premises next to Tate Modern.

A fundraising consultant has been used to give advice and guidance as well as a new fundraising assistant to help the Director of Development implement the fundraising strategy.

Financial review

a. Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies.

b. Reserves policy

The trustees review the charity's reserves policy periodically and at least on an annual basis. The Art Academy requires financial reserves to maintain and advance its activities and long term aims and objectives. Reserves are required to:

- Meet operational costs in the event of a sudden downturn in the economy resulting in a sharp fall in fee income. Trustees have agreed that around £390,000 should be earmarked for this purpose. Currently this target is not met; although the Academy has £385,092 in unrestricted reserves these are effectively all tied up in the value of the charity's tangible fixed assets, notably the freehold property, and thus the Academy currently has no 'free' reserves.
- Potentially conduct capital improvements of the Academy's freehold building.
- Reduce the current mortgage in the event of a steep rise in interest rates.
- Potentially acquire additional space as and when this could be financed.

c. Principal risks and uncertainties

These are the most significant risks that may adversely affect our business strategy, financial position, and future performance. The risk assessment process evaluates the probability of the risk materialising and the financial or strategic impact of the risk. Those risks which have a higher probability impact on strategy, reputation, operations, or a financial impact greater than £100k are identified as principal risks:

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Trustees' report For the year ended 31 August 2023

1. **Completion of the Fit Out of Bankside Campus on Time:** The risk of delay in completing the new building could disrupt planned activities and course schedules, potentially affecting student recruitment and satisfaction. However the timetable is being kept to, and indeed work is currently slightly ahead of schedule.
2. **Academic Course Sales:** There is a risk associated with the variability in enrolment numbers for academic courses, which could impact projected revenue streams. So far, the admissions for September 2024 are on target and we've kept the projections low.
3. **Public Course Numbers:** Public courses are subject to fluctuations in demand. Lower than anticipated participation could result in decreased income from these sources, with the new building we feel like we will have an increase in demand due to press and excitement however we are not stretching the targets too high.
4. **Fundraising:** While current fundraising efforts have been strong, there is an inherent risk in relying on these activities to continue at the same level, which could affect financial stability if targets are not met. There is growing support for the project of the new building, and it seems that next year's targets are lower than this year.
5. **Sale of Mermaid Court:** The sale of Mermaid Court is subject to planning permissions and other regulatory approvals, posing a risk of delays or failure to complete the sale, which could impact the financial forecasts and cash flow position.
6. **Events Taking Longer to Get Going:** The initiation and ramp-up of events in the new building might take longer than expected, potentially delaying the realisation of projected revenue from event hosting.
7. **Office for Students (OFS):** Compliance with OFS regulations remains a critical risk, with potential implications for licensing and operational freedom in higher education governance. We are looking to mitigate this through a strong push for students to come from backgrounds where student loans may not be need but also looking to build bursaries to help pay for students who may otherwise not be able to attend.

d. Financial risk management objectives and policies

The main risks that the charity is exposed to are summarised below.

- Market risk - cost of living impacting lifestyle choices, meaning less demand for art courses, plus rising supplier costs
- Interest rate risk- the mortgage interest rate increases, due to a base rate increase
- Cash flow volatility- low student numbers, fundraising targets not being met
- Bad debt – Students delay payments.

The management team provides regular reports, including an annual budget, re-forecasts, cash flow forecast, margin analysis and term management accounts. The team monitors financial risk, makes recommendations, and submits proposals for action which are approved in the Trustees' meeting.

e. Principal funding

Students' tuition fees from both the academic and public courses are the Academy's principal funding source as well as a growing stream of income from fundraising including the Patron scheme is helping to bridge the gap as student numbers return.

f. Review of the results

The result for the year was a much-reduced deficit of £42,591 (2022: deficit of £221,485), with EBITDA being a positive £105,004 (2022: negative £113,932).

Despite the deficit, the year showed promising signs of recovery and growth in some key areas:

- **Total income for the year amounted to £1,862,852**, the highest total income ever for The Art Academy. This represented a 12.8% rise on total income in the previous year. This record income was achieved principally due to successful fundraising campaigns which saw income from fundraising events more than double to £536,267 (2022: £233,494). The fundraising auction held at Christie's Auction House in May 2023 was particularly fruitful, but aside from this the generation of such a sum from fundraising is a significant achievement given the absence of large grants, reflecting broad support from various sources.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2023

- **Public courses.** Income from public courses, included within the teaching art classes total in note 5, stabilised at £759,521, marking the strongest year on record, up from £733,974 in 2021-2022. Weekend and short courses in particular saw excellent uptake, with total income reaching £439,393 (2022: £319,393).

Total expenditure for the year was £1,905,443 (2022: £1,873,585). The slight rise in expenditure is attributable to additional cost increases in fundraising due to our increased fundraising efforts in the year.

Whilst the cash balance reduced by 24% during the year to £169,642 (2022: £223,564), operating activities provided a positive cash inflow of £94,015 (2022: cash outflow of £173,142) which highlights further the improved underlying results. The reduction in cash arose mainly due to the continued repayment of the mortgage and associated interest costs, together with some investment in capital expenditure.

Although there is still a deficit, the encouraging trends outlined above have made this the best year since the pandemic. The signs are strong for 2023-2024, with an additional income stream expected to close the gap between expenditure and income, bringing the Academy into a surplus for 2023-2024.

Plans for future periods

An effective fundraising strategy has been put in place, including a patrons' scheme and an annual fundraising auction led by the fundraising committee at Christie's Auction House. This strategy has not only raised the profile of the Art Academy but also helped bridge the gap between income and expenditure as academic numbers return to, and eventually exceed, pre-pandemic levels.

Key future plans include:

- **BA Revalidation:** The Art Academy has succeeded in revalidating its BA program through its partnership with The Open University. The mock Office for Student review has prepared the Academy for its next step in registering students for loans and admitting international students.
- **MA Fine Art Validation:** Planned for 2024, this will attract new students to the Academy.
- **New Building:** A new fully accessible building, set to be completed in summer 2024, will enable the Art Academy to fulfil its vision of being the most inclusive art school in London. Located next to the prestigious Tate Modern, the site will feature a gallery, cafe, materials shop, nine studios, and an auditorium. This new space will support the Academy's professional focus and extensive skills provision in a purpose-built environment. Additional income streams from space rental and events hire will further support the institution.

Strategic plans are regularly reviewed by the Executive Team and decided by the Trustees at board meetings.

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the Charity 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 Charity 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 Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Art Academy

(A Company Limited by Guarantee)

**Trustees' report
For the year ended 31 August 2023**

Disclosure of information to auditors


Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- as far as that Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

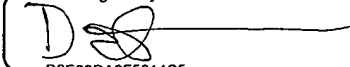
The auditors, UHY Hacker Young, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

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

DocuSigned by:

26F0B52589DC42A...

A Custis
Trustee

Date: 30 May 2024

DocuSigned by:

D6E99DA2F5614C5...

D J Fennell
Trustee

The Art Academy
(A Company Limited by Guarantee)

Independent Auditors' Report to the Members of The Art Academy

Opinion

We have audited the financial statements of The Art Academy (the 'charity') for the year ended 31 August 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 August 2023 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The Art Academy
(A Company Limited by Guarantee)

Independent Auditors' Report to the Members of The Art Academy (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration 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' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of 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.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the charitable company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the operations of the charitable company, including the Charities Act 2011;

The Art Academy
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Independent Auditors' Report to the Members of The Art Academy (continued)

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence; and
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

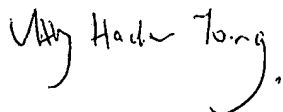
In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading minutes of meetings of those charged with governance; and
- enquiring of management and representatives of Trustees as to actual and potential litigation and claims.

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 Auditors' Report.

Use of our 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Allan Hickie BSc FCA (Senior statutory auditor)
for and on behalf of
UHY Hacker Young
Chartered Accountants
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 30 May 2024

The Art Academy
(A Company Limited by Guarantee)

Statement of financial activities (incorporating income and expenditure account)
For the Year Ended 31 August 2023

	Note	Unrestricted funds 2023 £	Total funds 2023 £	Total funds 2022 £
Income from:				
Donations and legacies	4	51,604	51,604	61,526
Charitable activities	5	1,273,681	1,273,681	1,357,080
Other trading activities	6	536,267	536,267	233,494
Investments	7	1,300	1,300	-
Total income		1,862,852	1,862,852	1,652,100
Expenditure on:				
Raising funds		92,660	92,660	62,118
Charitable activities	8	1,812,783	1,812,783	1,811,467
Total expenditure		1,905,443	1,905,443	1,873,585
Net movement in funds		(42,591)	(42,591)	(221,485)
Reconciliation of funds:				
Total funds brought forward		427,683	427,683	649,168
Net movement in funds		(42,591)	(42,591)	(221,485)
Total funds carried forward	19	385,092	385,092	427,683

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 16 to 30 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)
Registered number: 03801729


Balance Sheet
As at 31 August 2023

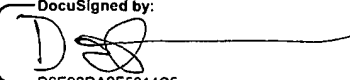
	Note	2023 £	2022 £
Fixed assets			
Intangible assets	13	9,000	-
Tangible assets	14	1,668,644	1,705,921
		<u>1,677,644</u>	<u>1,705,921</u>
Current assets			
Stocks	15	54,226	27,756
Debtors	16	173,651	119,690
Cash at bank and in hand		169,642	223,564
		<u>397,519</u>	<u>371,010</u>
Creditors: amounts falling due within one year	17	(643,178)	(570,203)
Net current assets / liabilities		<u>(245,659)</u>	<u>(199,193)</u>
Total assets less current liabilities		<u>1,431,985</u>	<u>1,506,728</u>
Creditors: amounts falling due after more than one year	18	(1,046,893)	(1,079,045)
Total net assets		<u><u>385,092</u></u>	<u><u>427,683</u></u>
Charity funds			
Restricted funds	19	-	-
Unrestricted funds	19	385,092	427,683
Total funds		<u><u>385,092</u></u>	<u><u>427,683</u></u>

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 and signed on their behalf by:

DocuSigned by:

 26F0B52589DC42A...
A Custis

DocuSigned by:

 D6E99DA2F5614C5...
D J Fennell

Date: 30 May 2024

The notes on pages 16 to 30 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Net cash used in operating activities	21	94,015	(173,142)
Cash flows from investing activities			
Proceeds from the sale of tangible fixed assets		-	(25,879)
Purchase of intangible assets		(9,000)	-
Purchase of tangible fixed assets		(27,914)	-
Interest received		1,300	-
Net cash used in investing activities		(35,614)	(25,879)
Cash flows from financing activities			
Repayments of borrowing		(29,122)	(54,891)
Interest payable		(83,201)	(40,789)
Net cash used in financing activities		(112,323)	(95,680)
Change in cash and cash equivalents in the year		(53,922)	(294,701)
Cash and cash equivalents at the beginning of the year		223,564	518,265
Cash and cash equivalents at the end of the year	22	169,642	223,564

The notes on pages 16 to 30 form part of these financial statements

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

1. General information

The Art Academy is a charitable company limited by guarantee, registered in England and Wales. Its registered office is Mermaid Court, 165a Borough High Street, London, SE1 1HR.

The nature of the charity's operations, and its principal activity is to inspire and uplift society through art and art education, and to provide access to art experience for all the community.

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) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Art Academy 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 trustees of The Art Academy conduct an annual assessment of the appropriateness of the going concern basis in preparing the financial statements. This includes evaluating material uncertainties related to events or conditions that could significantly affect the Academy's ability to continue its operations. This assessment is made for at least one year from the date the financial statements are authorised for issue.

A pivotal element of our assessment is the ongoing support from our banking partner, NatWest. Despite the balance sheet showing increased net current liabilities of £245,659 as of 31 August 2023 (2022: £199,193) the structured repayment terms facilitated by this support are crucial in maintaining our financial stability.

As of the latest approval date, student enrolment in our public programmes has stabilised post-pandemic, with consistent enrolment throughout the year. The Higher Education sector is experiencing robust registration for September 2024, marking the highest numbers since pre-pandemic levels. Following a mock Office For Students audit in Autumn 2023, the trustees are optimistic about achieving registration within the next twelve months, which will allow greater student access to our excellent Higher Education offerings through student loans and international student admissions.

Our outreach programs continue to grow with sustained support from a major foundation, ensuring access to high-quality art courses for those less financially able. The embedded new fundraising strategy, supported by a dedicated Fundraising Committee that includes distinguished chairs and partners from both the art and commercial sectors, has performed well in 2023 and continues strongly in 2024, as evidenced by the success of our annual auction at Christie's with over 250 attendees.

The board has evolved over the past year, gaining new expertise from the Higher Education, Finance, Legal, and Construction sectors - key areas that are currently benefiting from this advice. The Art Academy continues to innovate within the higher education sector, underscored by the Institutional Approval from The Open University and the creation of a new MA in Fine Art, with programme validation expected within the next twelve months.

The signing of a new 25-year lease and the subsequent fit-out project for our state-of-the-art campus at 185 Park Street, which will be ready for students by late summer 2024, represents a significant development. Located near Tate Modern, this facility includes a ground-floor gallery, café, and material shop, plus nine studios, significantly enhancing our profile through potential corporate partnerships and event hosting capabilities.

Despite some uncertainties about projected student numbers, the diversified revenue streams from whole building rentals, gallery, auditorium, meeting room, and studio hires provide additional income. It is also notable that for the first time in our 24-year history, the buildings will be fully accessible and compliant with the Equality Act, which is essential for running a modern educational institution.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

2. Accounting policies (continued)

2.2 Going concern (continued)

Forecasts through to 31 August 2025 project a surplus, supported by ongoing fundraising initiatives, the Patron scheme, and event hires. Key financial assumptions are based on the continued success of our fundraising events, such as the Christie's auction in May 2024, and timely income from our courses and material sales. The trustees also rely on short-term funding from Patrons and the strategic sale of Mermaid House by August 2025, with an offer currently in progress.

Despite the current financial and political uncertainties, the trustees are confident that the Academy will maintain sufficient resources to operate for the foreseeable future. Based on this confidence and the successful implementation of our strategic initiatives, we continue to adopt the going concern basis of accounting in our financial statements.

2.3 Income

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

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

2.4 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 Charity 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 Charity's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

2.5 Allocation and apportionment of costs

Detailed management accounts are kept with costs allocated on a causal basis and checked against budgets. The level of detail is considered too great for published accounts. In these financial statements cost allocations are the summaries of that management information. Matching restricted costs with relevant funds is made as accurately as possible by referring to the terms of the donor. The administration cost allocation between fundraising activities, teaching and resident artists in the published SOFA is made on the basis of respective turnover. Property costs are allocated to the activities by dedicated floor space.

2.6 Intangible assets and amortisation

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

2. Accounting policies (continued)

2.6 Intangible assets and amortisation (continued)

Amortisation is provided on the following basis:

Computer software	-	20 %
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2.7 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%
Long-term leasehold property	-	2% Over lease terms
Plant and machinery	-	20%
Fixtures and fittings	-	20%
Computer equipment	-	20%

2.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

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 Charity 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised in the Statement of Financial Activities as a finance cost.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

2. Accounting policies (continued)

2.12 Financial instruments

The Charity 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 Operating leases

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

2.14 Pensions

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

2.15 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 Charity 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 Charity 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.

3. Critical accounting estimates and areas of judgment

Preparation of the accounts requires the Trustees and management to make significant judgments and estimates. The items in the accounts where these judgments have been made include: the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; the provision against doubtful and bad debts in respect of course fees; estimates in respect of accrued expenditure.

4. Income from donations and legacies

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Donations	51,604	-	51,604	61,526
<i>Analysis of 2022 total by fund</i>	<i>10,817</i>	<i>50,709</i>	<i>61,526</i>	

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

5. Income from charitable activities

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Teaching art classes	1,265,155	1,265,155	<i>1,338,255</i>
Resident artists' studios	8,526	8,526	<i>18,825</i>
Total 2023	1,273,681	1,273,681	<i>1,357,080</i>
<i>Analysis of 2022 total by fund</i>	<i>1,357,080</i>	<i>1,357,080</i>	

6. Income from other trading activities

Income from fundraising events

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Christie's auction	198,869	198,869	<i>-</i>
Creativity team building	6,770	6,770	<i>9,604</i>
Sale of art materials	79,746	79,746	<i>92,894</i>
Other miscellaneous income	250,882	250,882	<i>130,996</i>
	536,267	536,267	<i>233,494</i>
<i>Total 2022</i>	<i>233,494</i>	<i>233,494</i>	

7. Investment income

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Investment income	1,300	1,300	<i>-</i>

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

8. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Total 2022 £
Teaching art classes	1,812,783	-	1,812,783	1,811,467
<i>Analysis of 2022 total by fund</i>	<i>1,760,758</i>	<i>50,709</i>	<i>1,811,467</i>	

9. Analysis of expenditure by activities

	Activities undertaken directly 2023 £	Support costs 2023 £	Total funds 2023 £	Total funds 2022 £
Teaching art classes	659,630	1,153,153	1,812,783	1,811,467
<i>Analysis of 2022 total</i>	<i>655,658</i>	<i>1,155,809</i>	<i>1,811,467</i>	

Analysis of direct costs

	Total funds 2023 £	Total funds 2022 £
Course material	94,318	83,255
Tutor costs	417,452	432,108
Marketing & advertising	45,426	37,614
Other course material	78,702	66,722
Shop material	23,732	27,074
Sundry costs	-	8,885
Total 2023	659,630	655,658

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

9. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2023 £	<i>Total funds 2022 £</i>
Staff costs	622,520	629,862
Administration costs	56,941	61,667
Auditor remuneration	8,442	6,495
Legal costs	31,768	21,657
Property expenses	392,300	394,112
Sundry costs	27,039	13,787
Bank charges	14,143	28,229
Total 2023	1,153,153	1,155,809

10. Auditors' remuneration

	2023 £	<i>2022 £</i>
Fees payable to the Charity's auditor for the audit and preparation of the Charity's annual accounts (inclusive of VAT)	9,006	5,922

11. Staff costs

	2023 £	<i>2022 £</i>
Wages and salaries	572,736	575,030
Social security costs	35,783	43,422
Contribution to defined contribution pension schemes	14,001	11,410
	622,520	629,862

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

	2023 No.	<i>2022 No.</i>
Executive	6	1
Administration	11	20
Technical services	3	2
	20	23

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

11. Staff costs (continued)

No employee received remuneration amounting to more than £60,000 in either year.

The Key Management Personnel of The Art Academy comprise the Trustees and senior managers as listed on Page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £81,931 (2022: £78,136).

12. Trustees' remuneration and expenses

The Principal became a trustee on 6 July 2023, and was paid remuneration, and received pension benefits, from his employment with the Charity. The remuneration paid is solely in respect of services provided under his contract of employment, with no remuneration being received for serving as a trustee.

The value of his remuneration and other benefits (stated only for the period 6 July 2023 to 31 August 2023 for which he was a trustee) was as follows:

		2023	2022
		£	£
R Pepper	Remuneration	8,490	-
	Pension contributions paid	708	-

During the year ended 31 August 2023, no Trustee expenses have been incurred (2022 - £NIL).

13. Intangible assets

	Computer software
	£
Cost	
Additions	9,000
At 31 August 2023	<u>9,000</u>
Net book value	
At 31 August 2023	<u>9,000</u>
At 31 August 2022	<u>-</u>

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Fixtures, fittings and computer equipment £	Total £
Cost or valuation					
At 1 September 2022	1,820,306	10,022	64,262	269,893	2,164,483
Additions	-	15,545	-	12,369	27,914
At 31 August 2023	<u>1,820,306</u>	<u>25,567</u>	<u>64,262</u>	<u>282,262</u>	<u>2,192,397</u>
Depreciation					
At 1 September 2022	189,306	9,156	62,093	198,007	458,562
Charge for the year	27,000	1,663	857	35,671	65,191
At 31 August 2023	<u>216,306</u>	<u>10,819</u>	<u>62,950</u>	<u>233,678</u>	<u>523,753</u>
Net book value					
At 31 August 2023	<u>1,604,000</u>	<u>14,748</u>	<u>1,312</u>	<u>48,584</u>	<u>1,668,644</u>
At 31 August 2022	<u>1,631,000</u>	<u>866</u>	<u>2,169</u>	<u>71,886</u>	<u>1,705,921</u>

Included in freehold property is land at cost of £455,077 which is not depreciated.

15. Stocks

	2023 £	2022 £
Goods for resale	54,226	27,756

16. Debtors

	2023 £	2022 £
Due within one year		
Trade debtors	123,068	36,169
Other debtors	26,035	44
Prepayments	24,548	83,477
	<u>173,651</u>	<u>119,690</u>

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

17. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Bank loans	61,919	58,889
Trade creditors	262,095	281,888
Other taxation and social security	11,267	13,087
Other creditors	49,419	57,165
Accruals and deferred income	258,478	159,174
	<u>643,178</u>	<u>570,203</u>
	2023	2022
	£	£
Deferred income at 1 September 2022	110,224	32,216
Resources deferred during the year	209,963	110,224
Amounts released from previous periods	(110,224)	(32,216)
	<u>209,963</u>	<u>110,224</u>

Deferred income at the year-end comprised course fee income received in advance of £209,963.

18. Creditors: Amounts falling due after more than one year

	2023	2022
	£	£
Bank loans	<u>1,046,893</u>	<u>1,079,045</u>
Included within the above are amounts falling due as follows:		
	2023	2022
	£	£
Between one and two years		
Bank loans	<u>61,919</u>	<u>58,889</u>
Between two and five years		
Bank loans	<u>185,757</u>	<u>176,666</u>
Over five years		
Bank loans	<u>799,217</u>	<u>843,490</u>

A 20 year arrangement was agreed with Nat West bank and signed on 22 March 2021. The 20 year mortgage loan is secured on the charity's freehold property at 165a Borough High Street and is repayable by monthly installments, the full balance including interest will be repaid in March 2041.

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

19. Statement of funds

Statement of funds - current year

	Balance at 1 September 2022 £	Income £	Expenditure £	Balance at 31 August 2023 £
Unrestricted funds				
General Funds	427,683	1,862,852	(1,905,443)	385,092

Statement of funds - prior year

	<i>Balance at 1 September 2021 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Balance at 31 August 2022 £</i>
Unrestricted funds				
General Funds	649,168	1,601,391	(1,822,876)	427,683
Restricted funds				
North West Multi-Ward Neighbourhoods Fund	-	5,000	(5,000)	-
Waterman Prize	-	19,000	(19,000)	-
Kickstart Scheme	-	26,709	(26,709)	-
	-	50,709	(50,709)	-
Total of funds	649,168	1,652,100	(1,873,585)	427,683

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2023 £	Total funds 2023 £
Tangible fixed assets	1,668,644	1,668,644
Intangible fixed assets	9,000	9,000
Current assets	397,519	397,519
Creditors due within one year	(643,178)	(643,178)
Creditors due in more than one year	(1,046,893)	(1,046,893)
Total	385,092	385,092

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2022 £</i>	<i>Total funds 2022 £</i>
Tangible fixed assets	1,705,921	1,705,921
Current assets	371,010	371,010
Creditors due within one year	(570,203)	(570,203)
Creditors due in more than one year	(1,079,045)	(1,079,045)
Total	427,683	427,683

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2023 £	2022 £
Net expenditure for the year (as per Statement of Financial Activities)	(42,591)	(221,485)
Adjustments for:		
Depreciation charges	64,394	66,764
Interest payable	83,201	40,789
Decrease/(increase) in stocks	(26,470)	3,046
Increase in debtors	(53,961)	(74,676)
Increase in creditors	70,742	12,420
Interest received	(1,300)	-
Net cash provided by/(used in) operating activities	94,015	(173,142)

22. Analysis of cash and cash equivalents

	2023 £	2022 £
Cash in hand	229	518
Notice deposits (less than 3 months)	169,413	223,046
Total cash and cash equivalents	169,642	223,564

23. Analysis of changes in net debt

	At 1 September 2022 £	Cash flows £	At 31 August 2023 £
Cash at bank and in hand	223,564	(53,922)	169,642
Debt due within 1 year	(58,889)	(3,030)	(61,919)
Debt due after 1 year	(1,079,045)	32,152	(1,046,893)
	(914,370)	(24,800)	(939,170)

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2023

24. Contingent liabilities

The Art Academy has a contingent liability in respect of its lease for Mermaid House. A new short term lease was signed during the year, ending on 12 June 2024, and this rolled forward obligations under the previous lease to pay, on a full indemnity basis, all reasonable costs, charges and expenses which may be incurred by the Landlord in connection with the preparation, service and enforcement of any schedule of dilapidations relating to the condition of Mermaid House during the term or at a date on which it ends (however it may end).

At this time the trustees have not received confirmation, or otherwise, of any payment for dilapidations that may arise under this obligation.

25. Pension commitments

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable by the charitable company to the fund.

26. Operating lease commitments

At 31 August 2023 the Charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2023 £	2022 £
Not later than 1 year	74,739	114,408
Later than 1 year and not later than 5 years	56,438	35,080
	<u>131,177</u>	<u>149,488</u>

The following lease payments have been recognised as an expense in the Statement of financial activities:

	2023 £	2022 £
Operating lease rentals	<u>141,193</u>	<u>166,418</u>

27. Trustees' benefits: advances, credit and guarantees

During the year a new trustee was appointed, who received remuneration during the year totalling £10,160 (2022: £Nil). No other trustees received remuneration during the year.

28. Related party transactions

The Art Academy has not entered into any related party transaction during the year, nor are there any outstanding balances owing between related parties and The Art Academy at 31 August 2023.

During the year a number of trustees contributed to the fundraising efforts of the charity by purchasing tables at the Christie's auction event, as well as providing items for the auction.

During the year 2 trustees received commission on the sale of art work at fundraising events totalling £3,994.

The Art Academy
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Notes to the Financial Statements
For the Year Ended 31 August 2023

29. Post balance sheet events

The Art Academy signed a 25-year underlease for its new state-of-the-art campus at 185 Park Street, London SE1, on 22 January 2024. Located near Tate Modern, the new campus will be ready for students by late summer 2024 and, as disclosed in the Trustees' report and going concern accounting policy, represents a significant development.

Whilst the lease is for 25 years, there is a break clause for either party on 22 January 2044.

The lease includes a rent-free (peppercorn rent) period to and including 30 June 2024, followed by two years at £197,709.70 per annum (50% of the full annual rent). From and including 1 July 2026 to and including the first Review Date, 22 January 2029, the annual rent is £395,419.40. In addition to the core lease payments, The Art Academy is liable for (a) an Insurance Rent and (b) A Building Service Charge, both of which are based on an amount equivalent to a 'fair and reasonable proportion of the sums payable by the landlord under the Superior Lease.'

185 Park Street requires a significant amount of development in order to be ready for use in the desired timescale. To facilitate this The Art Academy has entered into a development agreement with the landlord and JTRE London Ltd, the developer, and has agreed to pay £750,000 (plus VAT if applicable) by instalments so that the JTRE is able to meet the balance of its payment obligations under the Building Contract, and any other costs it is required to pay in relation to the development. To help fund this, in April 2024 the charity entered into a finance lease facility of up to £400,000. The lease period is 60 months, and the monthly rental payable, in advance, is £8,871.08, including interest at the current interest rate. Interest accrues based on an interest rate of 5.5% over UK Bank Base Rate.

THE ART ACADEMY

England & Wales - Charity number 1078804

Accounts

Registered number: 03801729
Charity number: 1078804

The Art Academy
(A Company Limited by Guarantee)

Trustees' report and financial statements

For the Year Ended 31 August 2022

The Art Academy
(A Company Limited by Guarantee)

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The Art Academy
(A Company Limited by Guarantee)

Reference and administrative details of the Charity, its Trustees and advisers
For the Year Ended 31 August 2022

Trustees	D J Fennell M R C Gerlis K Gordon P J Harris P R Kullich J C Littler D J H Wright
Company registered number	03801729
Charity registered number	1078804
Registered office	Mermaid Court 165a Borough High Street London SE1 1HR
Company secretary	S M A Zahedi
Key Management Personnel	Rob Pepper - Principal Sue Spaul - Director of Programmes Harriet Wheeler - Director of Operations Sophie Singh - Director of Developments Darren Nairn - Director of Academic Quality, Standards and Student Experience
Independent auditors	UHY Kent LLP Chartered Accountants Statutory Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ
Bankers	NatWest Bank Plc 250 Bishopsgate Spitalfields London EC2M 4AA

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2022

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2021 to 31 August 2022. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable 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 (FRS102) (effective 1 January 2019).

Since the Charity 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

Governing document

The Art Academy is registered as a charitable company limited by guarantee and was set up by a Trust deed. The charity's rules of governance are set out in its memorandum and articles of association. In the event of the company winding up, the liability of its members is limited to paying in £10 each and this obligation continues to hold for a year following any resignation. The only members are the trustees.

Organisational structure

The Art Academy is led by Robert Pepper as Principal, and its executive team made up of Sue Spaul, Director of Programmes; Darren Nairn, Director of Academic Quality, Standards and Student Experience; Sophie Singh, Director of Development & Harriet Wheeler, Director of Operations. They are supported by a management team of Rebecca Kunzi, Academic Programme Manager; Lucia Blagden, Public Programme Manager; Irfaan Shaikh, Finance Manager; Ian Barrington, Operations Manager and Liberty Rowley, Marketing & Communications Manager.

Methods of appointment or election of Trustees

Trustees are advised of their duties as well as the history and present situation of the charity before they join the board.

Policies and procedures adopted for the induction and training of trustees

Training and induction is for new trustees but will depend on their existing experience. Where necessary induction will provide training on charity legal and financial matters. All new trustees will be given a tour of the Academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As changes to the board of trustees are infrequent, induction tends to be done informally and is tailored specifically to the individual.

Pay policy for key management personnel

A remuneration committee with members of the board of trustees has now been set up and will meet to set the pay policy for key personnel.

Related party relationships

At each trustees meeting any related party information is disclosed.

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

Management conduct an annual risk assessment and maintain a Risk Register which is reviewed quarterly, and regularly communicate their findings to trustees in meetings.

The Art Academy

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Trustees' report For the year ended 31 August 2022

The safety of the students is reviewed regularly by the Academy's Facilities, Health & Safety Committee, its Director of Operations, Operations Manager, Technicians, and Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Operations Manager.

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

The purpose of The Art Academy is to inspire and uplift society through art and art education, and to provide access to art experiences for all in the community.. The motto of The Art Academy is 'Create - Master - Inspire'.

Aims

To contribute to the creation of great works of art, by providing the highest standard of education to students wishing to become professional artists, by giving creative opportunities to the wider community and by encouraging debate around the practice and principles of Higher Education in Fine Art.

The strategies employed by the Academy to achieve its aims include:

- Constantly striving to improve all its courses, in particular the BA in Fine Art, in order to train students to become professional artists capable of producing excellent work.
- Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- Seeking out and engaging the best possible tutors, resident artists, and staff to support the students in their learning.
- Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment.
- Offering students, when possible, bursaries to aid in financing their courses.
- Operating a broad and open admissions policy to encourage diversity in our student body.
- Creating the best learning opportunities, we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.
- Broadening the outreach work within Southwark by providing expert Art Academy tuition to local art groups at no charge.
- Through the work of the Research, Scholarship and Ethics Committee The Art Academy will add to the discourse around the principles of fine art practice and its relationship to higher education.

Principles

- Creating an environment where our students can experiment, research, and learn from the best academic, artistic and philosophical practitioners so we can develop visionary artists who will be the creative thinkers of the future.
- Developing creative skills, both traditional and contemporary, to support a student's freedom of expression.
- Encouraging students to understand and consider equally the conception and skills that have gone into the creation of all artworks in any medium, both traditional and contemporary.
- Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.
- Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

- Providing a supportive, vibrant and eclectic artistic community where creativity can be nurtured.

Activities

The Art Academy provides a wide-ranging programme of art education rooted in the vision and experience of its founding Principal, combining the virtues of a skills-based apprenticeship with the breadth and intellectual stimulation provided by a London college. The style of education on offer requires more commitment from its tutors than is widely available.

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

b. Strategies for achieving objectives

The Art Academy is passionate about championing art for all. We believe everyone should have access to high-quality art education, with no financial, physical or practical barriers.

Led by an executive team that have many years of experience of both practicing art, teaching art and running businesses their knowledge filters down to a dynamic management team and junior team and a tutor body of over 100 practicing artists.

Led by Principal Rob Pepper, The Art Academy is increasingly taking a leadership role in championing the importance of arts education and supporting arts educators nationally.

c. Activities undertaken to achieve objectives

We offer art courses for every age, levels of skill and need – from a BA and Foundation Degree to evening, weekend and short courses in numerous disciplines such as painting, printing, metalwork & sculpture. There is also a wide ranging outreach programme that brings art education to those that may otherwise not be able to enjoy the benefits.

A new fundraising strategy was articulated and implemented from September 2021. Under the Director of Development a £3m fundraising campaign was initiated with the aim of raising funds for a new campus alongside supporting post pandemic recovery.

d. Social investment policies

Over the last 15 years there has been a decline in the number of children taking arts subjects; a reduction in arts teaching hours; and fewer arts teachers employed in schools. Beyond school, informal programmes for young people have suffered due to cuts in local authority funds and services; and more recently, the wide ranging impacts of the pandemic have been profound.

The Art Academy believes that in the UK there is a rapidly increasing need for quality arts education. There is now a large body of evidence regarding the benefits of art in reimagining education for the 21st Century so that we can all build a better world.

It is this evidence that drives us. We exist to empower visionaries in the arts to develop their own creative practices and to become active members of their community. We teach art in a way that can empower individuals from all walks of life, at every age, stage and level. We have seen first-hand the impact that our arts education can have on an individual's creativity, self-esteem and vision of self.

We have proven the success of our outreach programmes and now is the time to reach more people.

Our students are diverse and united by a shared ethos that an arts education is essential to building a better world. We take pride in having educated over 35,000 students over the past 22 years. In the last year alone, we have taught over 4,000 students. Our outreach programmes help make art education accessible to the wider community with over 400 public courses a year.

e. Main activities undertaken to further the Charity's purposes for the public benefit

The Art Academy offers something distinct and increasingly rare: the best of a traditional atelier combined with the vibrancy and diversity of a contemporary art school. This founding principle still differentiates us today.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2022

All our tutors are practicing artists and specialists in their fields. We offer tuition in core artistic skills, whilst challenging students to develop their own practice informed by contemporary processes and theory. We preserve skills, whilst believing that art never stands still.

On our academic courses we are proud to offer the highest number of contact hours of any higher education art school in the UK. In small groups, students are guaranteed a minimum of 15 hours per week in our BA and Foundation program, with the option of more. This minimum is five times the amount received on a comparable BA at the UK's leading institutions. This personal approach allows our students the time to master core artistic skills and unlock their creative potential.

We also run over 400 short courses a year from young artists through to masterclasses.

Through 2021 and 2022 The Art Academy offered a total of eight training and employment opportunities to young people from disadvantaged socio-economic backgrounds through its Kickstart apprenticeship programme.

ACHIEVEMENT AND PERFORMANCE

a. Main achievements of the Charity

In summer of 2022 The Art Academy revalidated its Higher Education programmes with the Open University. This validation will last for five years and gives us the security of now being able to apply to join the Office for Students. A new course has been validated with a BA in Contemporary Portraiture having launched in September 2022.

The Art Academy's short course provision continues to be very well attended with over 3000 students studying with us, despite more people working from home and footfall on Borough High Street being a third of pre-pandemic numbers.

b. Key performance indicators

The key performance indicators since the pandemic have been based around ensuring bounce back in a sustainable way.

The Academic team have successfully revalidated the Higher Education courses with the Open University, and will be applying to join the Office for Students in 2023. A new lease is being negotiated on a prime location next to Tate Modern with the money secured to fit out the building.

Public course numbers have now exceeded those of 2019 - 2020.

Review of activities

The Art Academy has twenty years' experience teaching art. We know the value of the education we offer. Over two decades we have grown with no government investment and limited fundraising. Following the drop of income caused by the pandemic a new strategy was pursued based on leveraging our community to build a patron scheme alongside grant writing to raise funds for a new campus. Money and time was invested in the project with a new fundraising chair being appointed in May 2022. Natasha Kaplinsky offered to lead the fundraising campaign on a voluntary basis and a further committee was formed with a focus on hosting a large fundraising auction at Christie's in May 2023. Money from these efforts will be seen in the financial year 2022-23.

The Academic course numbers have seen a slow increase post pandemic and we anticipate a small increase in 2023. The Public courses continue to be well attended with the biggest gains seen in the Young Artist courses as well as a number of courses being purchased directly by companies for their employees.

A long-term building plan has been put in place with strong support from high-level stakeholders including developers JTRE and Southwark Council. Support has been given to design a state of the art campus next to Tate Modern, with a gallery, cafe, materials shop alongside nine studios which in due course will provide ancillary income streams. The developer has gifted their time, expertise and paid for the architects to create RIBA stage 4 designs for the new campus. The completion date for the building is expected to be Spring 2024.

c. Factors relevant to achieve objectives

Financial support for the staff, competent leadership, the correct investment of funds and support from the trustees are all relevant factors in achieving the objectives.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2022

d. Fundraising activities and income generation

A new fundraising campaign was launched in the autumn of 2022, the proceeds of which will help secure future premises and invest in the staff and fabric of The Art Academy to aid post-pandemic recovery and build resilience against future unknowns.

A new fundraising campaign chair has been announced with Natasha Kaplinsky taking on the role. A fundraising committee has also been formed and includes leading art world professionals as well as some high-net-worth individuals to help fulfil the Art Academy's vision of moving into new premises next to Tate Modern.

A fundraising consultant has been employed to give advice and guidance as well as a new fundraising assistant to help the Director of Development implement the fundraising strategy.

Financial review

a. Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies.

b. Reserves policy

The trustees review the charity's reserves policy periodically and at least on an annual basis. The Art Academy requires financial reserves to maintain and advance its activities and long term aims and objectives. Reserves are required to:

- Meet operational costs in the event of a sudden downturn in the economy resulting in a sharp fall in fee income.
- Potentially carry out capital improvements and expansion of the Academy's freehold building.
- Reduce the current mortgage in the event of a steep rise in interest rates.
- Potentially acquire additional space as and when this could be financed.
- Currently the Academy has £427,683 in unrestricted reserves. Since these are effectively all tied up in the value of the charity's tangible fixed assets, notably the freehold property, the Academy currently has no 'free' reserves that can be readily spent on any of its aims.

c. Principal risks and uncertainties

These are the most significant risks that may adversely affect our business strategy, financial position and future performance. The risk assessment process evaluates the probability of the risk materialising and the financial or strategic impact of the risk. Those risks which have a higher probability impact on strategy, reputation, operations, or a financial impact greater than £100k are identified as principal risks.

d. Financial risk management objectives and policies

The main risks that the charity is exposed to are summarised below.

- Market risk - cost of living impacting lifestyle choices, meaning less demand for art courses, plus rising supplier costs
- Interest rate risk- the mortgage interest rate increases, due to a base rate increase
- Cash flow volatility- low student numbers, fundraising targets not being met
- Bad debt – Students delay payments.

The management team provides regular reports, including an annual budget, re-forecasts, cash flow forecast, margin analysis and term management accounts. The team monitors financial risk, makes recommendations, and submits proposals for action which are approved in the Trustees' meeting.

e. Principal funding

Students' tuition fees from both the academic and public courses are the Academy's principal funding source as well as a growing stream of income from fundraising including the Patron scheme is helping to bridge the gap as student numbers return.

The Art Academy

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Trustees' report For the year ended 31 August 2022

f. Review of the results

The result for the year was a deficit of £221,485 (2021: deficit of £191,243) following a year where the long-term impact of the Covid-19 pandemic became more apparent.

Uncertainty through the years of lockdown made it hard to plan with late notice lockdowns and social distancing making marketing and running courses harder. However, the total income of £1.652m is up on 2021 (£1.348m), a 22% rise, although the trustees are very conscious these income levels remain lower than expenditure. However, demand has returned for the public programme with some record numbers on weekend and young artist summer courses. This gives the trustee and executive team confidence to know that although footfall remains at a third of pre-pandemic numbers on Borough High Street, return to normality is coming.

The income includes donations and grants of £61k (2021: £338k); this is considerably lower than the previous year which included a one-off grant of £245k from the Arts Council Culture Recovery Fund, set up to help cultural organisations that were hit financially by Covid-19 to the ending of furlough for staff. 2021 donations also included Covid Job Retention Scheme grant income of £68k in respect of staff furloughed during the pandemic.

Core income from charitable activities was up 41% to £1.357m (2021: £957k) a strong result and proof that the courses on offer and the vision of the Art Academy to make art accessible to all is in demand. The ancillary income also bounced back, with sales of art materials rising 45% to £90k (2021: £62k). This rise reflects the higher demand for courses as well as all lessons returning to in person. A business interruption payout of £96k was received from the Art Academy insurer in this year taking the income in this area to £189k.

Total expenditure for the year was £1.874m (2021: £1.540m). The rise in overall expenditure attributable to an increase in staff costs to £630k (2021: £502k) as well as additional cost increases in fundraising, course materials and support. This increase is due to an investment in new positions in finance, fundraising as well as additional technicians and administrators.

The cash balance has reduced by 56.86% (£294,701) during the year to £223,564 (2021: £518,265), mainly as a result of the operating deficit, but also due to the continued repayment of the mortgage and associated interest costs.

Although the deficit is larger than expected, the encouraging trend in public course sales, alongside an investment in fundraising will bring an additional income stream for the forthcoming year. This will close the gap between expenditure and income and is expected to bring the Academy back into a surplus for 2022-2023.

Plans for future periods

An effective fundraising strategy has been put in place, with a new patrons scheme launched. This alongside annual fundraising auctions in partnership with Christie's Auction house will not only raise the profile of the excellent work the Art Academy undertakes but helps to bridge the gap between income and expenditure whilst the Academic numbers return to, and eventually exceed, pre pandemic numbers.

The Art Academy has succeeded in revalidation of its BA in Fine Art and the new BA in Contemporary Portraiture through its partnership with The Open University. The next step is to apply to join the Office for Students, which in time will enable students to apply for loans and the ability to accept international students.

The Art Academy has needed a new building that is fully accessible to enable it to fulfil its vision to be the most inclusive art school in London. In partnership with JTRE a new site has been found next to the prestigious Tate Modern with plans in place to create the new fully accessible campus available to move in from Spring 2024. This will enable the Art Academy to maintain its professional focus, and its extensive skills provision and contact time provision in a purpose built and truly accessible environment. As part of that move additional income streams will be put in place in order to support the institution as student numbers begin to rise.

Strategic plans are regularly reviewed by the Executive Team and decided by the Trustees at board meetings.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2022

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the Charity 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 Charity 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 Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

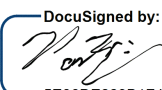
Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:


- so far as that Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

The auditors, UHY Kent LLP, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

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

DocuSigned by:

5E86DE223B1F444...
P J Harris
Trustee

DocuSigned by:

2088604D0CF24F3...
D J Fennell
Trustee

Date: 26 May 2023

The Art Academy
(A Company Limited by Guarantee)

Independent auditors' report to the Members of The Art Academy

Opinion

We have audited the financial statements of The Art Academy (the 'charity') for the year ended 31 August 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 August 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The Art Academy
(A Company Limited by Guarantee)

Independent auditors' report to the Members of The Art Academy (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration 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' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of 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.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the charitable company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the operations of the charitable company, including the Charities Act 2011;

The Art Academy
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Independent auditors' report to the Members of The Art Academy (continued)

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence; and
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading minutes of meetings of those charged with governance; and
- enquiring of management and representatives of Trustees as to actual and potential litigation and claims.

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 Auditors' Report.

Use of our 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Allan Hickie BSc FCA (Senior statutory auditor)
for and on behalf of

UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 26 May 2023

The Art Academy
(A Company Limited by Guarantee)

Statement of financial activities (incorporating income and expenditure account)
For the Year Ended 31 August 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
Income from:					
Donations and legacies	4	10,817	50,709	61,526	338,284
Charitable activities	5	1,357,080	-	1,357,080	957,194
Other trading activities	6	233,494	-	233,494	52,559
Investments	7	-	-	-	668
Total income		<u>1,601,391</u>	<u>50,709</u>	<u>1,652,100</u>	<u>1,348,705</u>
Expenditure on:					
Raising funds		62,118	-	62,118	25,450
Charitable activities	8	1,760,758	50,709	1,811,467	1,514,498
Total expenditure		<u>1,822,876</u>	<u>50,709</u>	<u>1,873,585</u>	<u>1,539,948</u>
Net movement in funds		<u>(221,485)</u>	<u>-</u>	<u>(221,485)</u>	<u>(191,243)</u>
Reconciliation of funds:					
Total funds brought forward		649,168	-	649,168	840,411
Net movement in funds		(221,485)	-	(221,485)	(191,243)
Total funds carried forward	19	<u>427,683</u>	<u>-</u>	<u>427,683</u>	<u>649,168</u>

The Statement of financial activities includes all gains and losses recognised in the year.

The notes on pages 15 to 29 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)
Registered number: 03801729


Balance Sheet
As at 31 August 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	1,705,921	1,746,806
		<u>1,705,921</u>	<u>1,746,806</u>
Current assets			
Stocks	14	27,756	30,802
Debtors	15	119,690	45,014
Cash at bank and in hand		223,564	518,265
		<u>371,010</u>	<u>594,081</u>
Creditors: amounts falling due within one year	16	(570,203)	(552,876)
Net current assets / liabilities		<u>(199,193)</u>	<u>41,205</u>
Total assets less current liabilities		<u>1,506,728</u>	<u>1,788,011</u>
Creditors: amounts falling due after more than one year	17	(1,079,045)	(1,138,843)
Total net assets		<u><u>427,683</u></u>	<u><u>649,168</u></u>
Charity funds			
Restricted funds	19	-	-
Unrestricted funds	19	427,683	649,168
Total funds		<u><u>427,683</u></u>	<u><u>649,168</u></u>

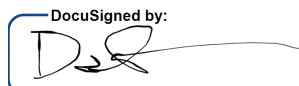
The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

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 and signed on their behalf by:

DocuSigned by:

 5E86DE223B1F444...
P J Harris
 Trustee

Date: 26 May 2023

DocuSigned by:

 2088604D0CF24F3...
D J Fennell
 Trustee

The notes on pages 15 to 29 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2022

	2022	<i>2021</i>
	£	£
Cash flows from operating activities		
Net cash used in operating activities	(173,142)	49,690
Cash flows from investing activities		
Dividends, interests and rents from investments	-	668
Proceeds from the sale of tangible fixed assets	(25,879)	(18,890)
Net cash used in investing activities	(25,879)	(18,222)
Cash flows from financing activities		
Cash inflows from new borrowing	-	1,180,000
Repayments of borrowing	(54,891)	(1,078,864)
Interest payable	(40,789)	(22,567)
Net cash (used in)/provided by financing activities	(95,680)	78,569
Change in cash and cash equivalents in the year	(294,701)	110,037
Cash and cash equivalents at the beginning of the year	518,265	408,228
Cash and cash equivalents at the end of the year	223,564	518,265

The notes on pages 15 to 29 form part of these financial statements

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

1. General information

The Art Academy is a charitable company limited by guarantee, registered in England and Wales. Its registered office is Mermaid Court, 165a Borough High Street, London, SE1 1HR.

The nature of the charity's operations, and its principal activity is to inspire and uplift society through art and art education, and to provide access to art experience for all the community.

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) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Art Academy 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 trustees assess whether the use of going concern is appropriate i.e., whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. They make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

The most important part of our going concern assessment has been the ongoing support of the bank. The balance sheet shows net current liabilities of £199,193 (2021: net current assets of £41,205). The 20-year arrangement agreed for the loan in March 2021 has continued to support the Academy, providing long term certainty and allowing for the full repayment of all capital and interest over the agreed term at an affordable level of monthly repayments.

At the time of approval the public programme student numbers have once again increased to record-levels bringing added confidence for the Trustees in the future of The Art Academy. (course numbers in Spring term exceeded 1,000 students, a record for that term in any year). Material sales are strong following the lifting of pandemic restrictions through 2022/23 which has meant a return to in person teaching, with an additional online course provision bringing extra income.. An outreach programme has gained momentum with additional funding received from Southwark Council, local developers as well as charitable foundations to provide high quality art courses to those that would otherwise not be able to afford to attend.

A fundraising strategy has been put in place with a new Fundraising Committee formed. This includes a very experienced fundraising chair alongside other leading art and commercial partners to help realise the Art Academy's vision. Momentum for the campaign is building and funds achieved at the time of the submitting this report brings confidence to the Trustees that the Academy is a going concern. These funds will be used to invest in the infrastructure and fabric of the Academy, and the rebuilding of reserves bringing long term security of The Art Academy and increasing the Academy's strategic capabilities.

With the revalidation of programmes as well as Institutional Approval being granted for the next five years by The Open University the Art Academy continues to create an exciting offer and space within the Higher Education field. New courses including a BA in Portraiture have been launched and investment in joining the Office For Students is being undertaken. This is the essential next step to enabling long term financial security, with the additional income from international students and those students applying for student loans. The Art Academy also plans to launch an MA in Fine Art in the coming two years, further consolidating the income from its HE provision.

Forecasts have been prepared for the year through to 31 August 2023 on this basis and these currently predict a surplus. Through the growing fundraising strategy, the new income from the Patron scheme, as well as a number of Patrons acting as guarantors until equity is released through the sale of Mermaid House, which we expect to be achieved by June 2024, the Trustees are confident that given the current liquidity the charitable company is sustainable.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

2. Accounting policies (continued)

2.2 Going concern (continued)

The forecasts make certain key assumptions, based on information available to the board, around:

- levels of fundraising and donation income, particularly repeating the success of the May 2023 fundraising auction at Christie's and achieving the desired level of income from the new Patron scheme (see trustees' report);
- the amount and timing of cash flows from teaching class course fees and sales of art materials;
- the availability of short term funding from guarantor Patrons, if this becomes necessary, until the sale of Mermaid House, and the sale of Mermaid House being achieved in the desired timescale and at the anticipated price. The Art Academy needs to operate from Mermaid House during the 2023/24 academic year, and so any sale prior to June 2024 would be dependent on securing a short term lease back.

The trustees recognise that achievement of the forecasts is critically dependent on the key assumptions noted above.

Taking all of the above into account, the trustees have a reasonable expectation that the charitable company will, at all times, have adequate resources to continue in operational existence for the foreseeable future. They have concluded that, while acknowledging that there are political and financial uncertainties in the current climate, and that the forecasts prepared do rely on the success of the fundraising strategy and Patron scheme, The Art Academy continues as a going concern. Accordingly, they to continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Income

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

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

2.4 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 Charity 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 Charity's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

2. Accounting policies (continued)

2.5 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released 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.

2.6 Allocation and apportionment of costs

Detailed management accounts are kept with costs allocated on a causal basis and checked against budgets. The level of detail is considered too great for published accounts. In these financial statements cost allocations are the summaries of that management information. Matching restricted costs with relevant funds is made as accurately as possible by referring to the terms of the donor. The administration cost allocation between fundraising activities, teaching and resident artists in the published SOFA is made on the basis of respective turnover. Property costs are allocated to the activities by dedicated floor space.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%	
Long-term leasehold property	-	2%	Over lease terms
Plant and machinery	-	20%	
Fixtures and fittings	-	20%	
Computer equipment	-	20%	

2.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

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.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

2. Accounting policies (continued)

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 Charity 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised in the Statement of Financial Activities as a finance cost.

2.12 Financial instruments

The Charity 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 Operating leases

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

2.14 Pensions

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

2.15 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 Charity 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 Charity 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.

3. Critical accounting estimates and areas of judgment

Preparation of the accounts requires the Trustees and management to make significant judgments and estimates. The items in the accounts where these judgments have been made include: the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; the provision against doubtful and bad debts in respect of course fees; estimates in respect of accrued expenditure.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

4. Income from donations and legacies

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	<i>Total funds 2021 £</i>
Government grants				
Coronavirus job retention scheme grant	-	-	-	67,856
Donations	10,817	50,709	61,526	270,428
Total 2022	<u>10,817</u>	<u>50,709</u>	<u>61,526</u>	<u>338,284</u>
<i>Analysis of 2021 total by fund</i>	<u>338,284</u>	<u>-</u>	<u>338,284</u>	

5. Income from charitable activities

	Unrestricted funds 2022 £	Total funds 2022 £	<i>Total funds 2021 £</i>
Teaching art classes	1,338,255	1,338,255	920,033
Resident artists' studios	18,825	18,825	37,161
Total 2022	<u>1,357,080</u>	<u>1,357,080</u>	<u>957,194</u>
<i>Analysis of 2021 total by fund</i>	<u>957,194</u>	<u>957,194</u>	

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

6. Income from other trading activities

Income from non charitable trading activities

	Unrestricted funds 2022 £	Total funds 2022 £	<i>Total funds 2021 £</i>
Creativity team building	9,604	9,604	2,260
Sales of art materials	92,894	92,894	37,849
Other miscellaneous income	130,996	130,996	12,450
Total 2022	<u>233,494</u>	<u>233,494</u>	<u>52,559</u>
<i>Analysis of 2021 total by fund</i>	<u>52,559</u>	<u>52,559</u>	

7. Investment income

	Unrestricted funds 2022 £	Total funds 2022 £	<i>Total funds 2021 £</i>
Investment income	-	-	668
<i>Analysis of 2021 total by fund</i>	<u>668</u>	<u>668</u>	

8. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	<i>Total 2021 £</i>
Teaching art classes	1,760,758	50,709	1,811,467	1,514,498
<i>Analysis of 2021 total by fund</i>	<u>1,514,498</u>	<u>-</u>	<u>1,514,498</u>	

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

9. Analysis of expenditure by activities

	Activities undertaken directly 2022 £	Support costs 2022 £	Total funds 2022 £	<i>Total funds 2021 £</i>
Teaching art classes	655,658	1,155,809	1,811,467	<i>1,514,498</i>
<i>Analysis of 2021 total</i>	<i>530,862</i>	<i>983,636</i>	<i>1,514,498</i>	

Analysis of direct costs

	Total funds 2022 £	<i>Total funds 2021 £</i>
Course material	83,255	<i>56,413</i>
Tutor costs	432,108	<i>347,850</i>
Marketing & advertising	37,614	<i>108,099</i>
Other course material	66,722	<i>18,500</i>
Shop material	27,074	-
Sundry costs	8,885	-
Total 2022	655,658	<i>530,862</i>

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

9. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2022 £	<i>Total funds 2021 £</i>
Staff costs	629,862	502,951
Administration costs	67,510	47,043
Auditor remuneration	6,495	7,735
Legal costs	21,657	10,518
Property expenses	388,269	372,683
Sundry costs	13,787	12,493
Bank charges	28,229	30,213
Total 2022	1,155,809	983,636

10. Auditors' remuneration

	2022 £	<i>2021 £</i>
Fees payable to the Charity's auditor for the audit of the Charity's annual accounts (inclusive of VAT)	5,292	5,100
Fees payable to the Charity's auditor in respect of: Preparation of financial statements (inclusive of VAT)	630	600

11. Staff costs

	2022 £	<i>2021 £</i>
Wages and salaries	575,030	456,990
Social security costs	43,422	35,903
Contribution to defined contribution pension schemes	11,410	10,058
	629,862	502,951

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

11. Staff costs (continued)

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

	2022	<i>2021</i>
	No.	<i>No.</i>
Executive	1	<i>1</i>
Administration	20	<i>16</i>
Technical services	2	<i>2</i>
	<hr/>	<hr/>
	23	<i>19</i>
	<hr/> <hr/>	<hr/> <hr/>

No employee received remuneration amounting to more than £60,000 in either year.

The Key Management Personnel of The Art Academy comprise the Trustees and senior managers as listed on Page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £78,136 (2021: £64,769).

12. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2021 - £NIL).

During the year ended 31 August 2022, no Trustee expenses have been incurred (2021 - £171).

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Fixtures, fittings and computer equipment £	Total £
Cost or valuation					
At 1 September 2021	1,820,306	10,022	64,262	244,014	2,138,604
Additions	-	-	-	25,879	25,879
At 31 August 2022	<u>1,820,306</u>	<u>10,022</u>	<u>64,262</u>	<u>269,893</u>	<u>2,164,483</u>
Depreciation					
At 1 September 2021	162,306	8,212	59,504	161,776	391,798
Charge for the year	27,000	944	2,589	36,231	66,764
At 31 August 2022	<u>189,306</u>	<u>9,156</u>	<u>62,093</u>	<u>198,007</u>	<u>458,562</u>
Net book value					
At 31 August 2022	<u>1,631,000</u>	<u>866</u>	<u>2,169</u>	<u>71,886</u>	<u>1,705,921</u>
At 31 August 2021	<u>1,658,000</u>	<u>1,810</u>	<u>4,758</u>	<u>82,238</u>	<u>1,746,806</u>

14. Stocks

	2022 £	2021 £
Goods for resale	<u>27,756</u>	<u>30,802</u>

15. Debtors

	2022 £	2021 £
Due within one year		
Trade debtors	36,169	4,293
Other debtors	44	753
Prepayments and accrued income	83,477	39,968
	<u>119,690</u>	<u>45,014</u>

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

16. Creditors: Amounts falling due within one year

	2022	<i>2021</i>
	£	<i>£</i>
Bank loans	58,889	53,982
Trade creditors	281,888	66,009
Other taxation and social security	13,087	-
Other creditors	57,165	69,622
Accruals and deferred income	159,174	363,263
	<u>570,203</u>	<u>552,876</u>
	2022	<i>2021</i>
	£	<i>£</i>
Deferred income at 1 September 2021	32,216	-
Resources deferred during the year	110,224	182,981
Amounts released from previous periods	(32,216)	(150,765)
	<u>110,224</u>	<u>32,216</u>

Deferred income at the year-end comprised course fee income received in advance of £110,224.

17. Creditors: Amounts falling due after more than one year

	2022	<i>2021</i>
	£	<i>£</i>
Bank loans	1,079,045	1,138,843
	<u>1,079,045</u>	<u>1,138,843</u>
Included within the above are amounts falling due as follows:		
	2022	<i>2021</i>
	£	<i>£</i>
Between one and two years		
Bank loans	58,889	58,889
	<u>58,889</u>	<u>58,889</u>
Between two and five years		
Bank loans	176,666	176,666
	<u>176,666</u>	<u>176,666</u>
Over five years		
Bank loans	843,490	903,288
	<u>843,490</u>	<u>903,288</u>

A 20 year arrangement was agreed with Nat West bank and signed on 22 March 2021. The 20 year mortgage loan is secured on the charity's freehold property at 165a Borough High Street and is repayable by monthly installments, the full balance including interest will be repaid in March 2041.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

18. Financial instruments

	2022	<i>2021</i>
	£	£
Financial assets		
Financial assets measured at fair value through income and expenditure	223,564	518,265

19. Statement of funds

Statement of funds - current year

	B/fwd 1.9.2021	Income	Expenditure	Balance at 31 August 2022
	£	£	£	£
Unrestricted funds				
General Funds	649,168	1,601,391	(1,822,876)	427,683
Restricted funds				
North West Multi-Ward Neighbourhoods Fund	-	5,000	(5,000)	-
Waterman Prize	-	19,000	(19,000)	-
Kickstart Scheme	-	26,709	(26,709)	-
	-	50,709	(50,709)	-
Total of funds	649,168	1,652,100	(1,873,585)	427,683

The NorthWest Multi-Ward Neighbourhoods Fund has been awarded to the Charity to hold Creative Wednesday's at Art Academy London, and has been fully spent in the year.

The Waterman Prize Fund is a fund records the sponsorship for the Miriam Waterman Memorial Prize.

The Kickstart Scheme is a Government grant used to create jobs for young people at risk of long-term unemployment. This has been fully spent in the year.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

19. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 September 2020</i>	<i>Income</i>	<i>Expenditure</i>	<i>Balance at 31 August 2021</i>
	£	£	£	£
Unrestricted funds				
General Funds	840,411	1,348,705	(1,539,948)	649,168

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2022	Total funds 2022
	£	£
Tangible fixed assets	1,705,921	1,705,921
Current assets	371,010	371,010
Creditors due within one year	(570,203)	(570,203)
Creditors due in more than one year	(1,079,045)	(1,079,045)
Total	427,683	427,683

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2021</i>	<i>Total funds 2021</i>
	£	£
Tangible fixed assets	1,746,806	1,746,806
Current assets	594,081	594,081
Creditors due within one year	(552,876)	(552,876)
Creditors due in more than one year	(1,138,843)	(1,138,843)
Total	649,168	649,168

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2022	<i>2021</i>
	£	<i>£</i>
Net expenditure for the year (as per Statement of Financial Activities)	(221,485)	<i>(191,243)</i>
Adjustments for:		
Depreciation charges	66,764	<i>65,400</i>
Dividends, interests and rents from investments	-	<i>(668)</i>
Interest payable	40,789	<i>22,567</i>
Decrease in stocks	3,046	<i>715</i>
Decrease/(increase) in debtors	(74,676)	<i>21,678</i>
Increase in creditors	12,420	<i>131,241</i>
Net cash provided by/(used in) operating activities	(173,142)	<i>49,690</i>

22. Analysis of cash and cash equivalents

	2022	<i>2021</i>
	£	<i>£</i>
Cash in hand	518	<i>559</i>
Notice deposits (less than 3 months)	223,046	<i>517,706</i>
Total cash and cash equivalents	223,564	<i>518,265</i>

23. Analysis of changes in net debt

	At 1 September 2021	Cash flows	At 31 August 2022
	£	£	£
Cash at bank and in hand	518,265	(294,701)	223,564
Debt due within 1 year	(53,982)	(4,907)	(58,889)
Debt due after 1 year	(1,138,843)	59,798	(1,079,045)
	(674,560)	(239,810)	(914,370)

24. Pension commitments

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable by the charitable company to the fund.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2022

25. Operating lease commitments

At 31 August 2022 the Charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2022	<i>2021</i>
	£	£
Not later than 1 year	114,408	<i>112,384</i>
Later than 1 year and not later than 5 years	35,080	<i>105,894</i>
	<u>149,488</u>	<u><i>218,278</i></u>

The following lease payments have been recognised as an expense in the Statement of financial activities:

	2022	<i>2021</i>
	£	£
Operating lease rentals	166,418	<i>135,951</i>
	<u>166,418</u>	<u><i>135,951</i></u>

26. Related party transactions

The The Art Academy has not entered into any related party transaction during the year, nor are there any outstanding balances owing between related parties and the The Art Academy at 31 August 2022.

During the year £50 was paid to Rob Pepper Limited, of which the Principal is a director and shareholder, for teaching an art class. There were no amounts outstanding at the year end.

THE ART ACADEMY

England & Wales - Charity number 1078804

Accounts

Registered number: 03801729
Charity number: 1078804

The Art Academy
(A Company Limited by Guarantee)

Trustees' Report and Financial Statements

For the Year Ended 31 August 2021

The Art Academy
(A Company Limited by Guarantee)

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The Art Academy
(A Company Limited by Guarantee)

Reference and Administrative Details of the Charity, its Trustees and Advisers
For the Year Ended 31 August 2021

Trustees	D J Fennell M R C Gerlis K Gordon (appointed 8 December 2020) P J Harris P R Kullich J C Littler D J H Wright
Company registered number	03801729
Charity registered number	1078804
Registered office	Mermaid Court 165a Borough High Street London SE1 1HR
Company secretary	S M A Zahedi
Key Management Personnel	Rob Pepper - Principal Sue Spaul - Director of Programmes Harriet Wheeler - Director of Operations Sophie Singh - Director of Developments Darren Nairn - Director of Academic Quality, Standards and Student Experience
Independent auditors	UHY Kent LLP Chartered Accountants Statutory Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ
Bankers	NatWest Bank Plc 250 Bishopsgate Spitalfields London EC2M 4AA

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2021

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2020 to 31 August 2021. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable 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 (FRS102) (effective 1 January 2019).

Since the Charity 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

Governing document

The Art Academy is registered as a charitable company limited by guarantee and was set up by a Trust deed. The charity's rules of governance are set out in its memorandum and articles of association. In the event of the company winding up, the liability of its members is limited to paying in £10 each and this obligation continues to hold for a year following any resignation. The only members are the trustees.

Organisational structure

The Art Academy is led by Robert Pepper as Principal, and its executive team made up of Sue Spaul, Director of Programmes; Darren Nairn, Director of Academic Quality, Standards and Student Experience; Sophie Singh, Director of Development & Harriet Wheeler, Director of Operations. They are supported by a management team of Rebecca Kunzi, Academic Course Manager; Zuzana Knightova, Public Programme Manager; Shirley Wang, Finance Controller (ceased employment at the Academy in May 2022); James Knight, Facilities Manager and Emma Collins, Marketing & Communications Manager. Liz Adekunle joined The Art Academy in January 2022 as Director of Operations (maternity cover). Lucy Grey joined as Finance Director in March 2022

Methods of appointment or election of Trustees

Trustees are advised of their duties as well as the history and present situation of the charity before they join the board.

Policies and procedures adopted for the induction and training of trustees

Training and induction is for new trustees but will depend on their existing experience. Where necessary induction will provide training on charity legal and financial matters. All new trustees will be given a tour of the Academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As changes to the board of trustees are infrequent induction tends to be done informally and is tailored specifically to the individual.

Pay policy for key management personnel

A remuneration committee with members of the board of trustees has now been set up and will meet to set the pay policy for key personnel.

Related party relationships

At each trustees meeting any related party information is disclosed.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2021

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

Management conduct an annual risk assessment and regularly communicate their findings to trustees in meetings.

The safety of the students is reviewed regularly by the Academy's Facilities, Health & Safety Committee, its Director of Operations, Facilities Manager, Technicians, and Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Technicians.

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

The purpose of The Art Academy is to inspire and uplift society through art and art education, and to provide access to art experience for all the community. The motto of The Art Academy is 'Create - Master - Inspire'.

Aims

To contribute to the creation of great works of art, by providing the highest standard of education to students wishing to become professional artists, by giving creative opportunities to the wider community and by encouraging debate around the practice and principles of Higher Education in Fine Art.

The strategies employed by the Academy to achieve its aims include:

- Constantly striving to improve all its courses, in particular the BA in Fine Art, in order to train students to become professional artists capable of producing excellent work.
- Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- Seeking out and engaging the best possible tutors, resident artists, and staff to support the students in their learning.
- Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment.
- Offering students, when possible, bursaries to aid in financing their courses.
- Operating a broad and open admissions policy to encourage diversity in our student body.
- Creating the best learning opportunities, we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.
- Broadening the outreach work within Southwark by providing expert Art Academy tuition to local art groups at no charge.
- Through the work of the Research, Scholarship and Ethics Committee The Art Academy will add to the discourse around the principles of fine art practice and its relationship to higher education.

Principles

- Creating an environment where our students can experiment, research, and learn from the best academic, artistic and philosophical practitioners so we can develop visionary artists who will be the creative thinkers of the future.
- Developing creative skills, both traditional and contemporary, to support a student's freedom of expression.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2021

- Encouraging students to understand and consider equally the conception and skills that have gone into the creation of all artworks in any medium, both traditional and contemporary.
- Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.
- Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.
- Providing a supportive, vibrant and eclectic artistic community where creativity can be nurtured.

Activities

The Art Academy provides a wide-ranging programme of art education rooted in the vision and experience of its founding Principal, combining the virtues of a skills-based apprenticeship with the breadth and intellectual stimulation provided by a London college. The style of education on offer requires more commitment from its tutors than is widely available.

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

b. Strategies for achieving objectives

The Art Academy is passionate about championing art for all. We believe everyone should have access to high-quality art education, with no financial, physical or practical barriers.

Led by an executive team that have many years of experience of both practicing art, teaching art and running businesses their knowledge filters down to a dynamic management team and junior team and a tutor body of over 100 practicing artists.

Led by Principal Rob Pepper, The Art Academy is increasingly taking a leadership role in championing the importance of arts education and supporting arts educators nationally.

c. Activities undertaken to achieve objectives

We offer art courses for every age, levels of skill and need – from a BA and Foundation Degree to evening, weekend and short courses in numerous disciplines such as painting, printing, metalwork & sculpture. There is also a wide ranging outreach programme that brings art education to those that may otherwise not be able to enjoy the benefits.

d. Social investment policies

Over the last 15 years there has been a decline in the number of children taking arts subjects; a reduction in arts teaching hours; and fewer arts teachers employed in schools. Beyond school, informal programmes for young people have suffered due to cuts in local authority funds and services; and in recent years the wide ranging impacts of the pandemic have been profound.

Art Academy London believes that in the UK there is a rapidly increasing need for quality arts education. There is now a large body of evidence regarding the benefits of art in reimagining education for the 21st Century so that we can all build a better world.

It is this evidence that drives us. We exist to empower visionaries in the arts to develop their own creative practices and to become active members of their community. We teach art in a way that can empower individuals from all walks of life, at every age, stage and level. We have seen first-hand the effect that our arts education can have on an individual's creativity, self-esteem and vision of self.

We have proven the success of our outreach programmes and now is the time to reach more people.

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2021

Our students are diverse and united by a shared ethos that an arts education is essential to building a better world. We take pride in having educated over 30,000 students over the past 20 years. In the last year alone, during the pandemic we taught 3,000 students. Our outreach programmes help make art education accessible to the wider community with over 400 public courses a year.

e. Main activities undertaken to further the Charity's purposes for the public benefit

The Art Academy offers something distinct and increasingly rare: the best of a traditional atelier combined with the vibrancy and diversity of a contemporary art school. This founding principle still differentiates us today.

All our tutors are practising artists and specialists in their fields. We offer tuition in core artistic skills, whilst challenging students to develop their own practice informed by contemporary processes and theory. We preserve skills, whilst believing that art never stands still.

On our academic courses we are proud to offer the highest number of contact hours of any higher education art school in the UK. In small groups, students are guaranteed a minimum of 15 hours per week in our BA and Foundation program, with the option of more. This minimum is five times the amount received on a comparable BA at the UK's leading institutions. This personal approach allows our students the time to master core artistic skills and unlock their creative potential.

We also run over 400 short courses a year from young artists through to masterclasses.

ACHIEVEMENT AND PERFORMANCE

a. Main achievements of the Charity

In 2019 The Art Academy validated a series of higher education programmes and these have been going well despite the challenges of the pandemic. The courses are leading to other new higher education courses that will be validated in 2022 including a BA in Contemporary Portraiture.

The Art Academy's short course provision is very well regarded. Since the opening up in summer 2021 The Art Academy's summer school has seen the highest recorded numbers of students studying during the summer months totaling 752 students.

b. Key performance indicators

The key performance indicators since the pandemic have been based around ensuring bounce back in a sustainable way.

Over the next year, a successful revalidation of The Art Academy by the Open University, joining the Office for Students, a new website and securing a lease on a new long term home will be key objectives in the next phase of The Art Academy.

Review of activities

The Art Academy has twenty years' experience teaching art. We know the value of the education we offer. Over two decades we have grown with no government investment and limited fundraising. During the pandemic with the help of furlough and support from the Culture Recovery Fund we managed to weather the storm and it means that we are well placed to continue our ambitious plans for the future.

The Academic courses have seen a marked increase post pandemic and numbers will continue to rise in 2022. The Public courses continue to be well attended with the growth area being in the young artists courses.

Long term building use continues to be a challenge with the Newington Library premises being returned to Southwark Council and a short term alternative premises being used at Red Lion Court.

c. Factors relevant to achieve objectives

Support for the staff, the correct investment of funds and support from the trustees are all relevant factors in achieving the objectives.

The Art Academy

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Trustees' report For the year ended 31 August 2021

d. Fundraising activities and income generation

A new large fundraising campaign will be launched in the autumn of 2022, this money will be used to help secure future premises and invest in the staff and fabric of The Art Academy.

Financial review

a. Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies.

b. Reserves policy

The trustees review the charity's reserves policy periodically and at least on an annual basis. The Art Academy requires financial reserves to maintain and advance its activities and long term aims and objectives. Reserves are required to:

- Meet operational costs in the event of a sudden downturn in the economy resulting in a sharp fall in fee income. Currently approximately £390,000 is earmarked for this purpose.
- Potentially carry out capital improvements and expansion of the Academy's freehold building.
- Reduce the current mortgage in the event of a steep rise in interest rates.
- Potentially acquire additional space as and when this could be financed.

c. Principal risks and uncertainties

These are the most significant risks that may adversely affect our business strategy, financial position and future performance. The risk assessment process evaluates the probability of the risk materialising and the financial or strategic impact of the risk. Those risks which have a higher probability impact on strategy, reputation, operations, or a financial impact greater than £100k are identified as principal risks.

d. Financial risk management objectives and policies

The main risks that the charity is exposed to are summarised below.

- Market risk - the art materials price increase and reduce the gross margin.
- Interest rate risk- the mortgage interest rate increases, due to a base rate increase
- Cash flow volatility- Grants are rejected resulting in low student enrolment numbers
- Bad debt – Students delay payments

The management team provides regular reports, including an annual budget, reforecasts, cash flow forecast, margin analysis and term management accounts. The team monitors financial risk, makes recommendations and submits proposals for action which are approved in the Trustees' meeting.

e. Principal funding

Students' tuition fees from both the academic and public courses are the Academy's principal funding source. There have been additional costs due to validation and the establishment of a new Honorary Advisory Committee, set up to help with longer term fundraising strategies

The Art Academy

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Trustees' report

For the year ended 31 August 2021

f. Review of the results

The result for the year was a deficit of £191,243 (2020: deficit of £128,081) following another difficult year due to the impact of the COVID-19 pandemic.

Whilst total income of £1.349m is only slightly down on 2020 (£1.366m), the trustees are very conscious income levels remain some way short of the £1.65m level in 2019, pre-pandemic. 2021 income includes donations and grants of £338k (2020: £223k), and whilst use of the Coronavirus Job Retention Scheme in the year fell compared to 2020, further grants of £68k were thankfully received to cover certain staff costs whilst some employees remained on furlough. The main grant received in the year was £245k from the Arts Council England in respect of their Culture Recovery Fund. This fund was set up to help maintain England's cultural ecology by supporting organisations hit financially by Covid-19.

Core income from charitable activities was down 10% to £957k (2020: £1.062m) as a result in the reduction in fees from teaching art classes. Ancillary income also suffered, with sales of art materials falling nearly 40% to £38k (2020: £62k).

Total expenditure for the year was £1.540m (2020: £1.494m). Direct costs and wages were kept down in line with the reduced income, with the rise in overall expenditure attributable to an increase in property costs to £373k (2020: £298k) due to higher rent and interest costs. Staff costs decreased by 2% to £501k (2020: £514k).

The cash balance has improved by 27% (£110,037) during the year to £518,265 (2020: £408,228), as the result of the advance bookings and payments in the academic and public courses for the next finance year 2022.

Plans for future periods

The Art Academy has succeeded in the validation of a BA in Fine Art and Foundation Degrees in Contemporary Portraiture and Sculpture through partnership with The Open University. This means it now has Higher Education Institution status. The next step is to apply to the Office for Students, which in time will enable student loans and tier 4 sponsorships.

The Art Academy continues to maintain its professional focus, and its extensive skills provision and contact time provision are funded in part by continuing strong demand for its public courses' classes.

Strategic plans are regularly reviewed by the Executive Team and decided by the Trustees at board meetings.

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the Charity 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 Charity 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 Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Art Academy

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**Trustees' report
For the year ended 31 August 2021**

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

The auditors, UHY Kent LLP, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

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



P J Harris
Trustee

Date: 28 April 2022

The Art Academy
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Independent Auditors' Report to the Members of The Art Academy (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of 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.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under section 145 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the charitable company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the operations of the charitable company, including the Charities Act 2011;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence; and
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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Independent Auditors' Report to the Members of The Art Academy (continued)

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading minutes of meetings of those charged with governance; and
- enquiring of management and representatives of Trustees as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Allan Hickie BSC FCA (Senior statutory auditor)
for and on behalf of UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 29 April 2022

The Art Academy
(A Company Limited by Guarantee)

Statement of financial activities (incorporating income and expenditure account)
For the Year Ended 31 August 2021

	Note	Unrestricted funds 2021 £	Total funds 2021 £	As restated Total funds 2020 £
Income from:				
Donations and legacies	4	338,284	338,284	223,144
Charitable activities	5	957,194	957,194	1,062,367
Other trading activities	6	52,559	52,559	79,487
Investments	7	668	668	1,269
Total income		1,348,705	1,348,705	1,366,267
Expenditure on:				
Raising funds	8	25,450	25,450	35,439
Charitable activities	9	1,514,498	1,514,498	1,458,909
Total expenditure		1,539,948	1,539,948	1,494,348
Net movement in funds		(191,243)	(191,243)	(128,081)
Reconciliation of funds:				
Total funds brought forward		840,411	840,411	968,492
Net movement in funds		(191,243)	(191,243)	(128,081)
Total funds carried forward	19	649,168	649,168	840,411

The Statement of Financial Activities includes all gains and losses recognised in the year.

The prior year is restated merely as a result of a change in allocation of expenditure which has altered the split of expenditure between charitable expenditure and expenditure incurring in relation to raising funds. There has been no change to total expenditure or the net movement in funds.

The notes on pages 14 to 28 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)
Registered number: 03801729

Balance Sheet
As at 31 August 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	14	1,746,806	1,793,316
		<u>1,746,806</u>	<u>1,793,316</u>
Current assets			
Stocks	15	30,802	31,517
Debtors	16	45,014	66,692
Cash at bank and in hand		518,265	408,228
		<u>594,081</u>	<u>506,437</u>
Creditors: amounts falling due within one year	17	(552,876)	(1,459,342)
Net current assets / liabilities		<u>41,205</u>	<u>(952,905)</u>
Total assets less current liabilities		<u>1,788,011</u>	<u>840,411</u>
Creditors: amounts falling due after more than one year	18	(1,138,843)	-
Total net assets		<u><u>649,168</u></u>	<u><u>840,411</u></u>
Charity funds			
Restricted funds	19	-	-
Unrestricted funds	19	649,168	840,411
Total funds		<u><u>649,168</u></u>	<u><u>840,411</u></u>

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 and signed on their behalf by:


P J Harris


M R C Gerlis

Date: 28 April 2022

The notes on pages 14 to 28 form part of these financial statements.

The Art Academy
(A Company Limited by Guarantee)

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	21	49,690	(64,732)
Cash flows from investing activities			
Dividends, interests and rents from investments		668	1,269
Purchase of tangible fixed assets		(18,890)	(31,048)
Net cash used in investing activities		(18,222)	(29,779)
Cash flows from financing activities			
Cash inflows from new borrowing		1,180,000	-
Repayments of borrowing		(1,078,864)	(11,300)
Interest payable		(22,567)	(23,714)
Net cash provided by/(used in) financing activities		78,569	(35,014)
Change in cash and cash equivalents in the year		110,037	(129,525)
Cash and cash equivalents at the beginning of the year		408,228	537,753
Cash and cash equivalents at the end of the year	22	518,265	408,228

The notes on pages 14 to 28 form part of these financial statements

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

1. General information

The Art Academy is a charitable company limited by guarantee, registered in England and Wales. Its registered office is Mermaid Court, 165a Borough High Street, London, SE1 1HR.

The nature of the charity's operations, and its principal activity is to inspire and uplift society through art and art education, and to provide access to art experience for all the community.

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) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Art Academy 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 trustees assess whether the use of going concern is appropriate i.e., whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. They make this assessment in respect of a period of at least one year from the date of authorization for issue of the financial statements.

The Art Academy continued to work in line with Government Guidelines in response to the COVID 19 pandemic and where reasonable and possible, staff remained furlough. The grants received under the UK Government's Coronavirus Job Retention Scheme have been invaluable. The Art Academy received a grant of £245k from the Arts Council England in respect of their Culture Recovery Fund. This fund was set up to help maintain England's cultural ecology by supporting organisations hit financially by Covid-19.

The most important part of our going concern assessment has been the on going support of the bank. The balance sheet shows net current assets of £41,205 (2020: net current liabilities of £952,905, which included the loan which has now been renegotiated). A new 20 year arrangement was agreed for the loan in March 2021 with repayments commencing in October 2021. This new loan provides long term certainty and also for the full repayment of all capital and interest over the agreed term at an affordable level of monthly repayments.

At the time of approval of these financial statements COVID restrictions have lifted contributing to Trustees confidence in the future of The Art Academy. Course intake has increased and course income at March 2022 is up by 60% vs prior year. The model for 2021/22 has still involved staff working from home, and students seeing a continued blended delivery model enabling them to study at home. The previous 2 years has proved this can work, and the trustees have therefore assumed that this approach will remain successful.

The Art Academy is working with a Fundraising Consultant to launch a Fundraising Strategy in Autumn 2022. These funds will be used to invest in the future, infrastructure and security of The Art Academy.

The Art Academy is continuing to offer new courses including a BA in Portraiture which will launch in September 2022 and has invested in a digital platform delivering online courses which can be taken from home at a time suitable to the student. The Art Academy plans to launch an MA in Fine Art in September 2023.

The Art Academy is working towards Open University revalidation in October 2022 and registration with the OfS which will allow student loan support and international student sponsorship thus increasing student numbers.

Forecasts have been prepared for the year through to 31 August 2022 on this basis and these currently predict a surplus. Furthermore the Trustees are confident that given the current liquidity the charitable company would be sustainable for a considerable period of a time.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

2. Accounting policies (continued)

2.2 Going concern (continued)

Taking all of the above into account the trustees have carefully considered whether the charitable company will have adequate resources to continue in operational existence for the foreseeable future. They have concluded there are no material uncertainties about the ability to continue as a going concern and that it remains appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Income

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

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

2.4 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 Charity 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 Charity's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

2.5 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released 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.

2.6 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

Notes to the Financial Statements
For the Year Ended 31 August 2021

2. Accounting policies (continued)

2.7 Allocation and apportionment of costs

Detailed management accounts are kept with costs allocated on a causal basis and checked against budgets. The level of detail is considered too great for published accounts. In these financial statements cost allocations are the summaries of that management information. Matching restricted costs with relevant funds is made as accurately as possible by referring to the terms of the donor. The administration cost allocation between fundraising activities, teaching and resident artists in the published SOFA is made on the basis of respective turnover. Property costs are allocated to the activities by dedicated floor space.

2.8 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%	
Long-term leasehold property	-	2%	Over lease terms
Plant and machinery	-	20%	
Fixtures and fittings	-	20%	
Computer equipment	-	20%	

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

2.10 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.

2.11 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.

2.12 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 Charity 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.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised in the Statement of Financial Activities as a finance cost.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

2. Accounting policies (continued)

2.13 Financial instruments

The Charity 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.

2.14 Operating leases

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

2.15 Pensions

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

2.16 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 Charity 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 Charity 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.

3. Critical accounting estimates and areas of judgment

Preparation of the accounts requires the Trustees and management to make significant judgments and estimates. The items in the accounts where these judgments have been made include: the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; the provision against doubtful and bad debts in respect of course fees; estimates in respect of accrued expenditure.

4. Income from donations and legacies

	Unrestricted funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Government grants			
Coronavirus job retention scheme grant	67,856	67,856	114,473
Local authority Covid-19 grant	-	-	25,000

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

4. Income from donations and legacies (continued)

	Unrestricted funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Donations	270,428	270,428	83,671
Total 2021	<u>338,284</u>	<u>338,284</u>	<u>223,144</u>
<i>Total 2020</i>	<u>223,144</u>	<u>223,144</u>	

5. Income from charitable activities

	Unrestricted funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Teaching art classes	920,033	920,033	1,027,339
Resident artists' studios	37,161	37,161	35,028
Total 2021	<u>957,194</u>	<u>957,194</u>	<u>1,062,367</u>
<i>Total 2020</i>	<u>1,062,367</u>	<u>1,062,367</u>	

6. Income from other trading activities

Income from non charitable trading activities

	Unrestricted funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Creativity team building	2,260	2,260	6,070
Sales of art materials	37,849	37,849	62,148
Other miscellaneous income	12,450	12,450	11,269
Total 2021	<u>52,559</u>	<u>52,559</u>	<u>79,487</u>
<i>Total 2020</i>	<u>79,487</u>	<u>79,487</u>	

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

7. Investment income

	Unrestricted funds 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Investment income	668	668	1,269
<i>Total 2020</i>	<u>1,269</u>	<u>1,269</u>	

8. Expenditure on raising funds

Fundraising trading expenses

	Unrestricted funds 2021 £	Total funds 2021 £	<i>As restated Total funds 2020 £</i>
Art material purchases	25,450	25,450	35,345
Creativity training costs	-	-	94
Total 2021	<u>25,450</u>	<u>25,450</u>	<u>35,439</u>
<i>Total 2020 as restated</i>	<u>35,439</u>	<u>35,439</u>	

The prior year is restated merely as a result of a change in allocation of expenditure which has altered the split of expenditure between fundraising trading expenses and charitable expenditure (note 9).

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

9. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2021 £	Total funds 2021 £	<i>As restated Total funds 2020 £</i>
Teaching art classes	1,514,498	1,514,498	1,458,909
<i>Total 2020 as restated</i>	<i>1,458,909</i>	<i>1,458,909</i>	

The prior year is restated merely as a result of a change in allocation of expenditure which has altered the split of expenditure between expenditure on charitable activities and fundraising expenditure (note 8).

10. Analysis of expenditure by activities

	Activities undertaken directly 2021 £	Support costs 2021 £	Total funds 2021 £	<i>Total funds 2020 £</i>
Teaching art classes	530,862	983,636	1,514,498	1,458,909
<i>Total 2020</i>	<i>543,697</i>	<i>915,212</i>	<i>1,458,909</i>	

Analysis of direct costs

	Total funds 2021 £	<i>Total funds 2020 £</i>
Course material	56,413	59,757
Tutor costs	347,850	349,162
Marketing & advertising	108,099	91,417
Other course material	18,500	16,283
Shop material	-	27,078
Total 2021	530,862	543,697

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

10. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2021 £	<i>Total funds 2020 £</i>
Staff costs	502,951	514,263
Administration costs	47,043	48,371
Auditor remuneration	7,735	4,328
Legal costs	10,518	4,700
Property expenses	372,683	298,377
Sundry costs	12,493	32,146
Bank charges	30,213	13,027
Total 2021	983,636	915,212

11. Auditors' remuneration

	2021 £	<i>2020 £</i>
Fees payable to the Charity's auditor for the audit of the Charity's annual accounts (inclusive of VAT)	5,100	4,070
Fees payable to the Charity's auditor in respect of: Preparation of financial statements (inclusive of VAT)	600	-

12. Staff costs

	2021 £	<i>2020 £</i>
Wages and salaries	456,990	462,042
Social security costs	35,903	42,158
Contribution to defined contribution pension schemes	10,058	10,063
	502,951	514,263

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

12. Staff costs (continued)

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

	2021	<i>2020</i>
	No.	<i>No.</i>
Executive	1	<i>1</i>
Administration	16	<i>12</i>
Technical services	2	<i>2</i>
	<hr/>	<hr/>
	19	<i>15</i>
	<hr/> <hr/>	<hr/> <hr/>

No employee received remuneration amounting to more than £60,000 in either year.

The Key Management Personnel of The Art Academy comprise the Trustees and senior managers as listed on Page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £64,769 (2020: £72,387).

13. 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*).

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Fixtures, fittings and computer equipment £	Total £
Cost or valuation					
At 1 September 2020	1,820,306	10,022	63,722	225,662	2,119,712
Additions	-	-	540	18,350	18,890
At 31 August 2021	<u>1,820,306</u>	<u>10,022</u>	<u>64,262</u>	<u>244,012</u>	<u>2,138,602</u>
Depreciation					
At 1 September 2020	135,306	7,267	56,253	127,570	326,396
Charge for the year	27,000	945	3,251	34,204	65,400
At 31 August 2021	<u>162,306</u>	<u>8,212</u>	<u>59,504</u>	<u>161,774</u>	<u>391,796</u>
Net book value					
At 31 August 2021	<u>1,658,000</u>	<u>1,810</u>	<u>4,758</u>	<u>82,238</u>	<u>1,746,806</u>
<i>At 31 August 2020</i>	<u>1,685,000</u>	<u>2,755</u>	<u>7,469</u>	<u>98,092</u>	<u>1,793,316</u>

15. Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u>30,802</u>	<u>31,517</u>

16. Debtors

	2021 £	2020 £
Due within one year		
Trade debtors	4,293	31,285
Other debtors	753	-
Prepayments and accrued income	39,968	35,407
	<u>45,014</u>	<u>66,692</u>

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

17. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Bank loans	53,982	1,091,689
Trade creditors	66,009	18,611
Other taxation and social security	-	8,586
Other creditors	69,622	87,071
Accruals and deferred income	363,263	253,385
	<u>552,876</u>	<u>1,459,342</u>
	2021	2020
	£	£
Deferred income at 1 September 2020	150,765	229,308
Resources deferred during the year	182,981	150,765
Amounts released from previous periods	(150,765)	(229,308)
	<u>182,981</u>	<u>150,765</u>

Deferred income at the year-end comprised course fee income received in advance of £182,981.

18. Creditors: Amounts falling due after more than one year

	2021	2020
	£	£
Bank loans	1,138,843	-
	<u>1,138,843</u>	<u>-</u>
Included within the above are amounts falling due as follows:		
	2021	2020
	£	£
Between one and two years		
Bank loans	58,889	-
	<u>58,889</u>	<u>-</u>
Between two and five years		
Bank loans	176,666	-
	<u>176,666</u>	<u>-</u>
Over five years		
Bank loans	903,288	-
	<u>903,288</u>	<u>-</u>

A new 20 year arrangement was agreed with Nat West bank and signed on 22 March 2021. The new 20 year mortgage loan is secured on the charity's freehold property at 165a Borough High Street and is repayable by monthly installments, commencing in October 2021. The full balance including interest will be repaid in March 2041.

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

19. Statement of funds

Statement of funds - current year

	Balance at 1 September 2020	Income	Expenditure	Balance at 31 August 2021
	£	£	£	£
Unrestricted funds				
General Funds	840,411	1,348,705	(1,539,948)	649,168

The Outreach Fund is a fund to be spent teaching art to disadvantaged young people.

The Local authority discretionary COVID-19 grant was received from Southwark to support the charitable company and help to cover essential costs during the COVID-19 pandemic. The grant has been fully spent, and since the terms and conditions required the money to be spent in accordance with the application the income and expenditure has been treated as restricted.

Statement of funds - prior year

	<i>Balance at 1 September 2019</i>	<i>Income</i>	<i>Expenditure</i>	<i>Balance at 31 August 2020</i>
	£	£	£	£
Unrestricted funds				
General funds	966,028	1,341,267	(1,466,884)	840,411
Restricted funds				
Outreach fund	2,464	-	(2,464)	-
Local authority discretionary COVID-19 grant	-	25,000	(25,000)	-
	2,464	25,000	(27,464)	-
Total of funds	968,492	1,366,267	(1,494,348)	840,411

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2021 £	Total funds 2021 £
Tangible fixed assets	1,746,806	1,746,806
Current assets	594,081	594,081
Creditors due within one year	(552,876)	(552,876)
Creditors due in more than one year	(1,138,843)	(1,138,843)
Total	649,168	649,168

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2020 £</i>	<i>Total funds 2020 £</i>
Tangible fixed assets	1,793,316	1,793,316
Current assets	506,437	506,437
Creditors due within one year	(1,459,342)	(1,459,342)
Total	840,411	840,411

21. Reconciliation of net movement in funds to net cash flow from operating activities

	2021 £	2020 £
Net expenditure for the year (as per Statement of Financial Activities)	(191,243)	(128,081)
Adjustments for:		
Depreciation charges	65,400	68,041
Dividends, interests and rents from investments	(668)	(1,269)
Interest payable	22,567	23,714
Decrease in stocks	715	3,295
Decrease in debtors	21,678	1,926
Increase/(decrease) in creditors	131,241	(32,358)
Net cash provided by/(used in) operating activities	49,690	(64,732)

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

22. Analysis of cash and cash equivalents

	2021	2020
	£	£
Cash in hand	559	791
Notice deposits (less than 3 months)	517,706	407,437
Total cash and cash equivalents	518,265	408,228

23. Analysis of changes in net debt

	At 1 September 2020	Cash flows	At 31 August 2021
	£	£	£
Cash at bank and in hand	408,228	110,037	518,265
Debt due within 1 year	(1,091,689)	1,037,707	(53,982)
Debt due after 1 year	-	(1,138,843)	(1,138,843)
	(683,461)	8,901	(674,560)

24. Pension commitments

The group 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.

25. Operating lease commitments

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

	2021	2020
	£	£
Not later than 1 year	112,384	114,635
Later than 1 year and not later than 5 years	105,894	248,254
	218,278	362,889

The following lease payments have been recognised as an expense in the Statement of financial activities:

	2021	2020
	£	£
Operating lease rentals	135,951	100,523
Changes in lease payments arising from COVID-19 related rent concessions	-	-

The Art Academy
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2021

26. Related party transactions

The Charity has not entered into any related party transaction during the year, nor are there any outstanding balances owing between related parties and the Charity at 31 August 2021.

The principal, Rob Pepper, is director of Rob Pepper Limited, a company which provided a series of workshops during the pandemic. In total there were 4 sessions undertaken each at £50 as well as a Vimeo subscription paid for by Rob Pepper Limited that was reimbursed by The Art Academy at cost. This totalled £371.

THE ART ACADEMY

England & Wales - Charity number 1078804

Accounts

REGISTERED COMPANY NUMBER: 03801729 (England and Wales)
REGISTERED CHARITY NUMBER: 1078804

REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020
FOR
THE ART ACADEMY

THE ART ACADEMY

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FOR THE YEAR ENDED 31 August 2020

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THE ART ACADEMY

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 August 2020

COVID-19 pandemic

At the time of writing the country has just started to emerge, tentatively, from the COVID-19 restrictions. Issues arising from the impact of the COVID-19 pandemic since the year end are extensively dealt with under the heading of going concern in note 2 to the accounts.

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 August 2020. The trustees have adopted the provisions of 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) (effective January 2019).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is a company limited by guarantee and its rules of governance are set out in its memorandum and articles of association. In the event of the company winding up, the liability of its members is limited to paying in £10 each and this obligation continues to hold for a year following any resignation. The only members are the trustees.

Organisational structure

The Art Academy is led by Robert Pepper as Principal, and its executive team made up of Sue Spaul, Director of Programmes; Darren Nairn, Director of Quality, Standards and Student Experience; Sophie Singh, Director of Development & Harriet Wheeler, Director of Operations. They are supported by a management team of Rebecca Kunzi, Academic Programme Manager; Zuzana Knightova, Public Programme Manager; Shirley Wang, Finance Controller; James Knight, Facilities Manager and Emma Collins, Marketing & Communications Manager.

Induction and training of new trustees

Trustees are advised of their duties as well as the history and present situation of the charity before they join the board.

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

Management conduct an annual risk assessment and regularly communicate their findings to trustees in meetings.

The safety of the students is reviewed regularly by the Academy's Facilities, Health & Safety Committee, its Director of Operations, Facilities Manager, Technicians, and Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Technicians.

OBJECTIVES AND ACTIVITIES

Objectives, aims and activities

The purpose of the Art Academy is to inspire and uplift society through art and art education, and to provide access to art experience for all the community. The motto of the Art Academy is 'Create - Master - Inspire'.

Aims

To contribute to the creation of great works of art, by providing the highest standard of education to students wishing to become professional artists, by giving creative opportunities to the wider community and by encouraging debate around the practice and principles of Higher Education in Fine Art.

The strategies employed by the Academy to achieve its aims include:

- > Constantly striving to improve all its courses, in particular the Diploma in Fine Art, in order to train students to become professional artists capable of producing excellent work.
- > Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- > Seeking out and engaging the best possible tutors, resident artists, and staff to support the students in their learning.
- > Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment. Offering students, when possible, bursaries to aid in financing their courses.
- > Operating a broad and open admissions policy to encourage diversity in our student body.
- > Creating the best learning opportunities, we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.

THE ART ACADEMY

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 August 2020

OBJECTIVES AND ACTIVITIES

Aims – continued

- > Broadening the outreach work within Southwark by providing expert Art Academy tuition to local art groups at no charge.
- > Through the work of the Research, Scholarship and Ethics Committee the Art Academy will add to the discourse around the principles of fine art practice and its relationship to higher education.

Principles

- > Creating an environment where our students can experiment, research, and learn from the best academic, artistic and philosophical practitioners so we can develop visionary artists who will be the creative thinkers of the future.
- > Developing creative skills, both traditional and contemporary, to support a student's freedom of expression.
- > Encouraging students to understand and consider equally the conception and skills that have gone into the creation of all artworks in any medium, both traditional and contemporary.
- > Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.
- > Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.
- > Providing a supportive, vibrant and eclectic artistic community where creativity can be nurtured.

Activities

The Art Academy provides a wide-ranging programme of art education rooted in the vision and experience of its founding Principal, combining the virtues of a skills-based apprenticeship with the breadth and intellectual stimulation provided by a London college. The style of education on offer requires more commitment from its tutors than is widely available.

PUBLIC BENEFIT

The trustees confirm that they have regard to the Charity Commission's guidelines on public benefit when exercising any powers or duties to which that guidance is relevant.

Community benefit

The Art Academy is an Arts Educational Charity, largely funded by the fees from our courses. We firmly believe that providing high quality arts education is, of itself, a huge benefit to the community, but as part of our commitment to making great art education accessible to all we offer generous bursaries on our accredited courses to students from disadvantaged backgrounds. We are also committed to a programme of outreach and community art activities including offering free spaces on our Young Artists courses, working with local disability groups providing tuition as well as sharing our resources such as studio and gallery space with other art organizations and artists.

We are also committed to driving benefits beyond these direct activities. As such, as well as helping us to achieve our core educational aims and objectives, a proportion of donated income goes directly to helping one of our outreach programmes.

ACHIEVEMENT AND PERFORMANCE

Charitable activities

The Academy has had a challenging year due to the pandemic. The new BA Fine Art and Foundation Degrees in Portraiture and Sculpture commenced in September 2019, having been validated by the Open University. The final term of the academic year 19/20 had to be undertaken online. The Foundation Course was a success with many students being accepted onto their first-choice universities. The certificate numbers dropped alongside the part time courses, whilst the public courses student numbers fell dramatically due to the lockdown.

THE ART ACADEMY
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 August 2020

FINANCIAL REVIEW

Principal funding sources

Students' tuition fees from both the academic and public courses are the Academy's principal funding source. There have been additional costs due to validation and the establishment of a new Honorary Advisory Committee, set up to help with longer term fundraising strategies.

Review of the results

The result for the year was a deficit of £128,081 (2019: surplus of £6,199).

The decline in net income is broadly due to the impact of the COVID-19, the national lockdown and the result of lower course income and net margins. Compared to 2019, total course income fell by 30% and total net margin by 7.9%. However, this was to some extent off set by generous grants and donations amounting to £223,144 (2019: £3,589), including Coronavirus Job Retention Scheme grants of £114,473 for staff put on furlough under the government scheme.

In 2020 tuition course fees which represent 77.7% of total income fell by 30% or £451,210 to £1,027,339 (2019: £1,478,549) whilst the related direct costs were down by 15%, £225,428, amounting to £1,231,432 (2019: £1,456,860). Art material sales were down by 39% or £39,598 to £62,148 (2019: £101,746) and studio rental income was also lower by 27% or £12,960 to £35,028 (2019: £47,988).

Staff costs increased by £28,034 (5.8%) during the year to £514,263 (2019: £486,229).

Finally mortgage loan interest costs fell by £11,074 (31.8%) to £23,714 (2019: £34,788) as a result of the reduction in the Bank base rate.

Other notable changes were the £6,869 increase in the depreciation charge of fixtures & fittings to £25,699 (2019: £18,830) and IT costs which increased by £7,287 (46.7 %) to £22,902 (2019: £15,615).

Reserves policy

The trustees review the charity's reserves policy periodically and at least on an annual basis. The Art Academy requires financial reserves to maintain and advance its activities and long term aims and objectives. Reserves are required to:

- meet operational costs in the event of a sudden downturn in the economy resulting in a sharp fall in fee income. Currently approximately £390,000 is earmarked for this purpose.
- Potentially carry out capital improvements and expansion of the Academy's freehold building.
- Reduce the current mortgage in the event of a steep rise in interest rates.
- Potentially acquire additional space as and when this could be financed.

Going concern

The trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for at least the next year.

The trustees continue to adopt the going concern basis of accounting in preparing the financial statements, and the accounting policy in respect of going concern, which sets out the basis and assumptions made, is disclosed in accounting policy note 2.

FUTURE DEVELOPMENTS

The Art Academy has succeeded in the validation of a BA in Fine Art and Foundation Degrees in Contemporary Portraiture and Sculpture through partnership with The Open University, this means it now has Higher Education Institution status. The next step is to apply to the Office for Students which in time will enable student loans and tier 4 sponsorship.

The Art Academy continues to maintain its professional focus, and its extensive skills provision and contact time provision are funded in part by continuing strong demand for its public courses' classes.

Strategic plans are regularly reviewed by the Executive Team and decided by the Trustees at board meetings.

THE ART ACADEMY
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 August 2020

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
03801729 (England and Wales)

Registered Charity number
1078804

Registered office
Mermaid Court
165a Borough High Street
London
SE1 1HR

Trustees

P R Kullich	Management consultant	
D J H Wright	Architect	
P J Harris	Finance, retail & wholesale consultant	
J C Littler	Senior executive in PR & communications	
M R C Gerlis	Journalist	
D Fennell	Creative Director	
K Gordon	Founder Edu Tech	Appointed 08/12/2020
H Little	Fine Art Consultant	Appointed 17/02/2020, Resigned on 02/07/2020

Company Secretary
S M A Zahedi

Auditors

UHY Kent LLP
Chartered Accountants and Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Key Management Personnel

Rob Pepper - Principal
Sue Spaul - Director of Programmes
Harriet Wheeler - Director of Operations
Sophie Singh - Director of Developments
Darren Naim - Director of Quality, Standards and Student Experience

THE ART ACADEMY

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 August 2020

STATEMENT OF TRUSTEES RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP (FRS 102);
- make judgements 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 charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- 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 auditors are aware of that information.

AUDITORS

The auditors, UHY Kent LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by order of the board of trustees and signed on its behalf by:


.....
P Harris - Trustee

Date: 18/08/21

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE ART ACADEMY**

Opinion

We have audited the financial statements of The Art Academy (the 'charitable company') for the year ended 31 August 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 May 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Report of the Independent Auditors thereon. Our opinion on the financial statements does not cover the other information and 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, 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE ART ACADEMY**

Matters on which we are required to report by exception

In the 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 Report of the Trustees.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration 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 take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities set out on page 7, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Independent Auditors 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.

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 Auditors' Report.

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



Allan Hickie BSc FCA (Senior Statutory Auditor)

for and on behalf of UHY Kent LLP
Chartered Accountants and Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent. ME10 4BJ

Date: 24 August 2021

THE ART ACADEMY

Statement of Financial Activities Incorporating Income and Expenditure Account

FOR THE YEAR ENDED 31 AUGUST 2020

		Unrestricted fund	Restricted funds	2020 Total funds	2019 Total funds
	Notes	£	£	£	£
INCOME AND ENDOWMENTS FROM					
Donations and legacies	4	198,144	25,000	223,144	3,589
Charitable activities	7				
Teaching art classes		1,027,339	-	1,027,339	1,478,549
Resident artists' studios		35,028	-	35,028	47,988
Other trading activities	5	79,487	-	79,487	119,015
Investment income	6	<u>1,269</u>	<u>-</u>	<u>1,269</u>	<u>1,002</u>
Total		<u>1,341,267</u>	<u>25,000</u>	<u>1,366,267</u>	<u>1,650,143</u>
EXPENDITURE ON					
Raising funds	8	86,815	-	86,815	110,028
Charitable activities	9				
Teaching art classes		1,206,432	25,000	1,231,432	1,456,860
Resident artists' studios		63,319	-	63,319	75,232
Other		<u>110,318</u>	<u>2,464</u>	<u>112,782</u>	<u>1,824</u>
Total		<u>1,466,884</u>	<u>27,464</u>	<u>1,494,348</u>	<u>1,643,944</u>
NET INCOME		(125,617)	(2,464)	(128,081)	6,199
RECONCILIATION OF FUNDS					
Total funds brought forward		966,028	2,464	968,492	962,293
TOTAL FUNDS CARRIED FORWARD		<u>840,411</u>	<u>-</u>	<u>840,411</u>	<u>968,492</u>

CONTINUING OPERATIONS

All income and expenditure has arisen from continuing activities.

The notes form part of these financial statements

THE ART ACADEMY (REGISTERED NUMBER: 03801729)

BALANCE SHEET
AT 31 August 2020

	Notes	Unrestricted fund £	Restricted funds £	2020 Total funds £	2019 Total funds £
FIXED ASSETS					
Tangible assets	15	1,793,316	-	1,793,316	1,830,309
CURRENT ASSETS					
Stocks	16	31,517	-	31,517	34,814
Debtors	17	66,692	-	66,692	68,618
Cash at bank and in hand		<u>408,228</u>	<u>-</u>	<u>408,228</u>	<u>536,971</u>
		506,437	-	506,437	640,403
CREDITORS					
Amounts falling due within one year	18	(1,459,342)	-	(1,459,342)	(434,932)
NET CURRENT (LIABILITIES)/ASSETS					
		<u>(952,905)</u>	<u>-</u>	<u>(952,905)</u>	<u>205,471</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		840,411	-	840,411	2,035,780
CREDITORS					
Amounts falling due after more than one year	19	-	-	-	(1,067,288)
NET ASSETS					
		<u>840,411</u>	<u>-</u>	<u>840,411</u>	<u>968,492</u>
FUNDS					
	21				
Unrestricted funds				840,411	966,028
Restricted funds				-	2,464
TOTAL FUNDS					
				<u>840,411</u>	<u>968,492</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies.

The financial statements were approved by the Board of Trustees and were signed on its behalf by:


.....
P Harris - Trustee


.....
D J H Wright - Trustee

Date: 18/08/21

The notes form part of these financial statements

THE ART ACADEMY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 August 2020

	Notes	2020 £	2019 £
Cash flows from operating activities:			
Cash generated from operations	1	(64,732)	15,114
Interest paid		<u>(23,714)</u>	<u>(34,788)</u>
Net cash provided by (used in) operating activities		<u>(88,446)</u>	<u>(19,674)</u>
 Cash flows from investing activities:			
Purchase of tangible fixed assets		(31,048)	(80,089)
Interest received		<u>1,269</u>	<u>1,002</u>
Net cash provided by (used in) investing activities		<u>(29,779)</u>	<u>(79,087)</u>
 Cash flows from financing activities:			
Loan repayments in year		<u>(11,300)</u>	<u>(35,399)</u>
Net cash provided by (used in) financing activities		<u>(11,300)</u>	<u>(35,399)</u>
 <hr/>			
Change in cash and cash equivalents in the reporting period		(128,743)	(134,160)
Cash and cash equivalents at the beginning of the reporting period	2	<u>536,971</u>	<u>671,131</u>
Cash and cash equivalents at the end of the reporting period	2	408,228	536,971

The notes form part of these financial statements

THE ART ACADEMY

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 August 2020

1. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
	£	£
Net income for the reporting period (as per the statement of financial activities)	(128,081)	6,199
Adjustments for:		
Depreciation charges	68,041	62,585
Interest received	(1,269)	(1,002)
Interest paid	23,714	34,788
Decrease/(Increase) in stocks	3,295	(722)
Decrease/(increase) in debtors and prepayments	1,926	8,036
(Decrease)/increase in creditors	<u>(32,358)</u>	<u>(94,770)</u>
Net cash provided by operating activities	<u>(64,372)</u>	<u>15,114</u>

2. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash in hand	791	537
Notice deposits (less than 3 months)	<u>407,437</u>	<u>536,434</u>
Total cash and cash equivalents	<u>408,228</u>	<u>536,971</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 August 2020

1. GENERAL INFORMATION

The Art Academy is a charitable company limited by guarantee, registered in England and Wales. Its registered office is Mermaid Court, 165a Borough High Street, London, SE1 1HR.

The nature of the charity's operations, and its principal activity is to inspire and uplift society through art and art education, and to provide access to art experience for all the community.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which meets the definition of a public benefit entity under FRS 102, 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) (effective January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The trustees assess whether the use of going concern is appropriate i.e., whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. They make this assessment in respect of a period of at least one year from the date of authorization for issue of the financial statements.

The Art Academy closed its doors to students during March 2020 in response to the COVID-19 pandemic and furloughed all staff on a rota basis. The grants received under the UK Government's Coronavirus Job Retention Scheme have been invaluable, and, from a cash flow perspective, mortgage holiday payments from our bank and rent breaks granted by landlords were greatly appreciated.

The most important part of our going concern assessment has been the on-going support of the bank. The balance sheet shows net current liabilities with the loan in place at the year end due for repayment in September 2020; this is a technical one-off disclosure and a new facility has subsequently been agreed which means the maturity of the loan will largely be shown as falling due after more than one year in next year's financial statements. At 31 August 2020 we were in negotiations with Nat West over the new facility and a new 20 year mortgage was agreed and came into effect in March 2021. This new loan provides long term certainty and also for the full repayment of all capital and interest over the agreed term at an affordable level of monthly repayments.

Since the year-end we have been grateful for a £245k Art Council 'Culture Recovery Fund' grant, although even with this income the year to date management accounts indicate a deficit of around £110,000 for the ten months ended 30 June 2021. It should be noted half of this deficit relates to non-cash depreciation charges, the liquidity at 31 July 2021 is supportive of the current level of activity.

At the time of approval of these financial statements the country is tentatively returning to normal following the easing of all government COVID-19 restrictions. These relaxations have increased the trustees' confidence that some degree of normality can return in September for the start of the 2021/22 academic year. The main risk, aside from the on-going uncertainty in the public health context and prospect of further national or local lockdowns should there be a spike in infections or new strains of COVID-19, is how quickly public confidence returns for people to travel to central London. This will have a significant impact on students returning to the studios. The model for 2021/22 will therefore still involve staff working from home, and students seeing a continued blended delivery model enabling them to study at home. The 2020/21 year has proved this can work, and the trustees have therefore assumed that this approach will remain successful, especially with the introduction of online courses providing an offering that would not be affected by any further lockdown restrictions.

Prudent forecasts have been prepared for the year through to 31 August 2022 on this basis and these currently predict a modest surplus. Furthermore the trustees are confident that given the current liquidity the charitable company would be sustainable for a considerable period even if the return to normality takes longer than anticipated.

Taking all of the above into account the trustees have carefully considered whether the charitable company will have adequate resources to continue in operational existence for the foreseeable future. They have concluded there are no material uncertainties about the ability to continue as a going concern and that it remains appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 August 2020

2. ACCOUNTING POLICIES – continued

Income

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received, and the amount can be measured reliably.

Income for fees receivable and rental income for use of premises are accounted for in the period in which the service is provided. Donations are recognised when received and are only accrued where The Art Academy can demonstrate entitlement to receipt, the amount can be reliably measured, and the receipt is probable. Interest on funds held on deposit is included in the financial statements when receivable and the amount can be measured reliably; this is normally upon notification of the interest paid or payable by the bank.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, 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 accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources. Expenditure includes attributable VAT which cannot be recovered.

Government grants

Grants are accounted for under the accruals method as permitted by FRS 102. Grants relating to the Coronavirus Job Retention Scheme are credited to the Statement of Financial Activities in the same period as the related expenditure.

Allocation and apportionment of costs

Detailed management accounts are kept with costs allocated on a causal basis and checked against budgets. The level of detail is considered too great for published accounts. In these financial statements cost allocations are the summaries of that management information. Matching restricted costs with relevant funds is made as accurately as possible by referring to the terms of the donor. The administration cost allocation between fundraising activities, teaching and resident artists in the published SOFA is made on the basis of respective turnover. Property costs are allocated to the activities by dedicated floor space.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively in the pursuance of charitable purposes.

Tangible fixed assets

Plant and equipment costing over £1,000 which has a useful life in excess of five years is capitalised. Significant leasehold improvements are also capitalised and written off over the remaining period of the lease.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold building	- 2% on cost (cost estimated at 75% of total purchase price)
Short leaseholds & licences	- in accordance with the period of the lease or licence
Plant & machinery etc.	- 20% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

2. ACCOUNTING POLICIES – continued

Debtors

Debtors are recognised at the settlement amount less any provision for non-recoverability. Prepayments are valued at the amount prepaid net of any trade discounts due.

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.

Liabilities and provisions

Creditors and provisions are recognised where the charity has 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. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The charity only has 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.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees, unless they have been designated for other purposes.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes. Further explanation of the nature and purpose of each fund is included in Note 21. The costs of raising and administering such funds are charged against the specific fund.

Operating leases

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

Pension costs and other post-retirement benefits

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the accounts requires the Trustees and management to make significant judgments and estimates. The items in the accounts where these judgments have been made include: the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge; the provision against doubtful and bad debts in respect of course fees; estimates in respect of accrued expenditure.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

4. DONATIONS AND LEGACIES

	Unrestricted Fund £	Restricted Fund £	2020 £	2019 £
Donation	83,671	-	83,671	3,589
Coronavirus Job Retention Scheme Grants	114,473	-	114,473	-
Local authority COVID-19 grant	-	25,000	25,000	-
	<u>198,144</u>	<u>25,000</u>	<u>223,144</u>	<u>3,589</u>

5. OTHER TRADING ACTIVITIES

	2020 £	2019 £
Sales of art materials	62,148	101,746
Creativity team building	6,070	17,269
Other Misc. Income	11,269	-
	<u>79,487</u>	<u>119,015</u>

6. INVESTMENT INCOME

	2020 £	2019 £
Deposit account interest	<u>1,269</u>	<u>1,002</u>

7. INCOME FROM CHARITABLE ACTIVITIES

	Activity	2020 £	2019 £
Tuition course fees	Teaching art classes	1,027,339	1,462,209
Resident artists' studio rent	Resident artists' studios	35,028	47,988
Other misc. income	Teaching art classes	-	16,340
		<u>1,062,367</u>	<u>1,526,537</u>

8. RAISING FUNDS

Other trading activities

	2020 £	2019 £
Art material purchases	35,345	48,625
Creativity training costs	94	92
Support costs	51,376	61,311
	<u>86,815</u>	<u>110,028</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

9. CHARITABLE ACTIVITIES COSTS

	Direct costs	Support costs (See note 10)	Totals
	£	£	£
Teaching art classes	543,697	687,735	1,231,432
Resident artists' studios	<u>-</u>	<u>63,319</u>	<u>63,319</u>
	<u>543,697</u>	<u>751,054</u>	<u>1,294,751</u>

10. SUPPORT COSTS

	Management	Finance	Information technology
	£	£	£
Other trading activities	33,882	2,536	1,729
Other resources expended	95,658	7,159	4,881
Teaching art classes	437,911	32,771	22,345
Resident artists' studios	<u>14,931</u>	<u>1,117</u>	<u>762</u>
	<u>582,381</u>	<u>43,583</u>	<u>29,717</u>

	Human resources	Property running costs	Governance costs	Totals
	£	£	£	£
Other trading activities	1,276	11,429	525	51,376
Other resources expended	3,601	-	1,484	112,782
Teaching art classes	16,486	171,434	6,788	687,735
Resident artists' studios	<u>562</u>	<u>45,716</u>	<u>231</u>	<u>63,319</u>
	<u>21,925</u>	<u>228,578</u>	<u>9,029</u>	<u>915,213</u>

Activity	Basis of allocation
Management	Turnover
Finance	Turnover
Information technology	Turnover
Human resources	Turnover
Property running costs	Floor space
Governance costs	Turnover

11. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	2020	2019
	£	£
Auditors' remuneration	4,070	3,420
Depreciation - owned assets	68,041	62,585
Other operating leases	<u>75,523</u>	<u>122,944</u>

12. TRUSTEES' REMUNERATION AND BENEFITS

Trustees' expenses

No trustees have been paid remuneration or received any other benefit from an employment with the Art Academy.

During the year no trustee (2019: 0) received reimbursed travel expenses (2019: £0).

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

13. STAFF COSTS

	2020	2019
	£	£
Wages and salaries	462,042	439,836
Social security costs	42,158	38,622
Other pension costs	<u>10,063</u>	<u>7,771</u>
	<u>514,263</u>	<u>486,229</u>

The Key Management Personnel of the Art Academy comprise the Trustees and senior managers as listed on Page 6. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £72,387 (2019: £71,060).

The average monthly number of employees during the year was as follows:

	2020	2019
Executive	1	1
Administration	12	14
Technical services	<u>2</u>	<u>3</u>
	<u>15</u>	<u>18</u>

No employees received emoluments in excess of £60,000 in either year.

14. COMPARATIVES FOR THE STATEMENT OF 31 AUGUST 2019 FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted funds £	Total funds £
INCOME AND ENDOWMENTS FROM			
Donations and legacies	3,589	-	3,589
Charitable activities			
Teaching art classes	1,478,549	-	1,478,549
Resident artists' studios	47,988	-	47,988
Other trading activities	119,015	-	119,015
Investment income	<u>1,002</u>	<u>-</u>	<u>1,002</u>
Total	1,650,143	-	1,650,143
EXPENDITURE ON			
Raising funds	110,028	-	110,028
Charitable activities			
Teaching art classes	1,456,860	-	1,456,860
Resident artists' studios	75,232	-	75,232
Others	<u>1,824</u>	<u>-</u>	<u>1,824</u>
Total	1,643,944	-	1,643,944
NET INCOME	6,199	-	6,199
Transfers between funds	-	-	-
RECONCILIATION OF FUNDS			
Total funds brought forward	<u>959,828</u>	<u>2,464</u>	<u>962,292</u>
TOTAL FUNDS CARRIED FORWARD	966,027	2,464	968,491

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

15. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Plant and machinery £
COST			
At 1 September 2019	1,820,306	10,022	59,973
Additions	<u>-</u>	<u>-</u>	<u>3,749</u>
At 31 August 2020	<u>1,820,306</u>	<u>10,022</u>	<u>63,722</u>
 DEPRECIATION			
At 1 September 2019	108,306	6,323	48,670
Charge for year	<u>27,000</u>	<u>944</u>	<u>7,583</u>
At 31 August 2020	<u>135,306</u>	<u>7,267</u>	<u>56,253</u>
 NET BOOK VALUE			
At 31 August 2019	<u>1,712,000</u>	<u>3,699</u>	<u>11,303</u>
At 31 August 2020	<u>1,685,000</u>	<u>2,755</u>	<u>7,469</u>
	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 September 2019	125,943	72,420	2,088,664
Additions	<u>21,887</u>	<u>5,412</u>	<u>31,048</u>
At 31 August 2020	<u>147,830</u>	<u>77,832</u>	<u>2,119,712</u>
 DEPRECIATION			
At 1 September 2019	37,714	57,342	258,355
Charge for year	<u>25,699</u>	<u>6,815</u>	<u>68,041</u>
At 31 August 2020	<u>63,413</u>	<u>64,157</u>	<u>326,396</u>
 NET BOOK VALUE			
At 31 August 2019	<u>88,229</u>	<u>15,078</u>	<u>1,830,309</u>
At 31 August 2020	<u>84,417</u>	<u>13,675</u>	<u>1,793,316</u>

Included in cost or valuation of land and buildings is freehold land of £455,077 (2019: £455,077) which is not depreciated.

16. STOCKS

	2020 £	2019 £
Art materials	<u>31,517</u>	<u>34,814</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	31,285	27,836
Prepayments	35,407	40,782
Other debtors	-	-
	<u>66,692</u>	<u>68,618</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans and overdrafts	1,091,689	35,703
Trade creditors	18,611	37,978
Social security and other taxes	8,586	9,815
Deposits held	87,071	74,774
Deferred income (see below)	150,765	229,308
Accrued expenses and credit card	<u>102,620</u>	<u>47,354</u>
	<u>1,459,342</u>	<u>434,932</u>

The bank loan was originally taken out in September 2015 and since then monthly repayments have been made, including interest, which have gradually reduced the loan. The loan agreement provided for repayments over a 60 month period, ending in September 2020, with a final instalment of an amount sufficient to repay the capital loan and interest in full. The trustees' intention has always been to roll the loan into a new arrangement.

A new 20 year arrangement was agreed with Nat West bank and signed on 22 March 2021. For the purpose of these financial statements the loan in existence at the balance sheet date was technically due for repayment, in full, within one year. The new 20 year mortgage loan is secured on the charity's freehold property at 165a Borough High Street.

With a new facility in place, the majority of the bank loan balance shown above will be reclassified as due after more than one year in the 2020/21 financial statements.

Deferred Income

	2020	2019
	£	£
Deferred income at 1 st September 2019	229,308	283,338
Resourced deferred during the year	150,765	229,308
Amount released from previous year	<u>(229,308)</u>	<u>(283,338)</u>
	<u>150,765</u>	<u>229,308</u>

Deferred income at the year-end comprised course fee income received in advance.

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

	2020	2019
	£	£
Bank loans	<u>-</u>	<u>1,067,288</u>
	<u>-</u>	<u>1,067,288</u>

As explained in note 18, during the year the bank loan all became due within one year.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

20. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020	2019
	£	£
Within one year	18,635	25,892
Between one and five years	<u>47,213</u>	<u>10,907</u>
	<u>65,848</u>	<u>36,799</u>

The charitable company currently occupies one of its premises under an informal arrangement with the landlord, with no formal lease in place. The trustees are currently in negotiations with the landlord about the level of rent payable. The maximum possible commitment for the twelve months ended 31 August 2021 is £90,500.

21. MOVEMENT IN FUNDS

	At 1.9.19	Net movement	At 31.8.20
	£	in funds	£
		£	
Unrestricted funds			
General fund	966,028	(125,617)	840,411
Restricted funds			
Outreach fund	2,464	(2,464)	-
Coronavirus Job Retention Scheme	-	-	-
	<u>968,492</u>	<u>(128,081)</u>	<u>840,411</u>

Net movement in funds, included in the above are as follows:

	Incoming	Resources	Movement in
	resources	expended	funds
	£	£	£
Unrestricted funds			
General fund	1,341,267	(1,466,884)	(125,617)
Restricted funds			
Outreach fund	-	(2,464)	(2,464)
Local authority discretionary COVID-19 grant	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
TOTAL FUNDS	<u>1,366,267</u>	<u>(1,494,348)</u>	<u>(128,081)</u>

The Outreach Fund is a fund to be spent teaching art to disadvantaged young people.

The Local authority discretionary COVID-19 grant was received from Southwark to support the charitable company and help to cover essential costs during the COVID-19 pandemic. The grant has been fully spent, and since the terms and conditions required the money to be spent in accordance with the application the income and expenditure has been treated as restricted.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 August 2020

22. Analysis of net assets between funds

	Unrestricted Fund £	Restricted Fund £	Total Fund 2020 £
Tangible Fixed Assets	1,793,316	-	1,793,316
Current Assets	515,889	-	515,889
Creditors due in one year	<u>(1,434,342)</u>	<u>-</u>	<u>(1,434,342)</u>
	<u>865,411</u>	<u>-</u>	<u>865,411</u>

23. RELATED PARTY DISCLOSURES

The Art Academy Principle donated one own drawing at low price £1,000 sold £4,000 at Fundraising night in February 2020.

THE ART ACADEMY

DETAILED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 August 2020

	2020	2019
	£	£
INCOME AND ENDOWMENTS		
Donations and legacies		
Donations	223,144	3,589
Other trading activities		
Sales of art materials	62,148	101,746
Creativity team building	6,070	17,269
Other Misc. Income	<u>11,269</u>	<u>-</u>
	79,487	119,015
Investment income		
Deposit account interest	1,269	1,002
Charitable activities		
Tuition course fees	1,027,339	1,462,209
Resident artists' studio rent	35,028	47,988
Other misc. income	<u>-</u>	<u>16,340</u>
	<u>1,062,367</u>	<u>1,526,537</u>
Total incoming resources	1,366,267	1,650,143
EXPENDITURE		
Other trading activities		
Shop materials costs	35,345	48,625
Creativity training costs	<u>94</u>	<u>92</u>
	35,439	48,717
Charitable activities		
Course tuition costs	444,773	577,844
Marketing	91,340	73,909
Equipment depreciation	<u>7,584</u>	<u>7,240</u>
	543,697	658,993
Support costs		
Management		
Wages	486,107	439,836
Social security	42,158	38,622
Pensions	10,063	7,771
Other professional service	7,012	20,457
Telephone	8,016	4,400
Postage and stationery	3,326	9,131
Depreciation of fixtures & fittings	<u>25,699</u>	<u>18,830</u>
	582,381	539,047
Finance		
Bank & Worldpay charges	19,869	17,554
Mortgage interest	<u>23,714</u>	<u>34,788</u>
	43,583	52,342

This page does not form part of the statutory financial statements

