

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	1,269	-	1,269	1,002
Total		1,341,267	25,000	1,366,267	1,650,143
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		110,318	2,464	112,782	1,824
Total		1,466,884	27,464	1,494,348	1,643,944
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		840,411	-	840,411	968,492

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				-	<u>2,464</u>
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/>	<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><u>(64,372)</u></u>	<u><u>15,114</u></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><u>408,228</u></u>	<u><u>536,971</u></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.

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	-
	198,144	25,000	223,144	3,589

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	<u>51,376</u>	<u>61,311</u>
	<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	-	63,319	63,319
	<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	10,063	7,771
	<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	959,828	2,464	962,292
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 in funds	At 31.8.20
	£	£	£
Unrestricted funds			
General fund	966,028	(125,617)	840,411
Restricted funds			
Outreach fund	2,464	(2,464)	-
Coronavirus Job Retention Scheme	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNDS	<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	Resources expended	Movement in 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	(1,434,342)	-	(1,434,342)
	<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

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THE ART ACADEMY

DETAILED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 August 2020

	2020 £	2019 £
Information technology		
IT repairs & expenses	22,902	15,615
Depreciation of IT equipment	<u>6,815</u>	<u>9,043</u>
	29,717	24,658
Human resources		
Combined liability insurance	7,728	7,621
Office cleaning	5,032	7,211
Health & safety	<u>9,165</u>	<u>19,085</u>
	21,925	33,917
Property running costs		
Short leasehold rents	100,523	122,944
Rates and water	30,208	29,645
Light and heat	16,799	28,034
Building maintenance	53,104	72,774
Freehold property	27,000	27,000
Depn of leasehold improvements	<u>944</u>	<u>472</u>
	228,578	280,869
Governance costs		
Auditors' remuneration	4,070	4,080
Accountancy and legal fees	<u>4,958</u>	<u>1,321</u>
	<u>9,028</u>	<u>5,401</u>
Total resources expended	1,494,348	1,643,944
	<u> </u>	<u> </u>
Net income	<u><u>(128,081)</u></u>	<u><u>6,199</u></u>

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