

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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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

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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.

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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.

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- 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.

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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.

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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

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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.

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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

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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

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(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.

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(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.

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Statement of Cash Flows
For the Year Ended 31 August 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash used in operating activities	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

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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.

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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.

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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

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

5. Income from charitable activities

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

6. Income from other trading activities

Income from non charitable trading activities

	Unrestricted funds 2021 £	Total funds 2021 £	Total funds 2020 £
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	52,559	52,559	79,487
<i>Total 2020</i>	<i>79,487</i>	<i>79,487</i>	

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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>	1,269	1,269	

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	25,450	25,450	35,439
<i>Total 2020 as restated</i>	35,439	35,439	

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).

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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

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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 £	Total funds 2020 £
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 £	2020 £
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 £	2020 £
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
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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	2020
	No.	No.
Executive	1	1
Administration	16	12
Technical services	2	2
	<hr/>	<hr/>
	19	15
	<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).

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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	1,820,306	10,022	64,262	244,012	2,138,602
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	162,306	8,212	59,504	161,774	391,796
Net book value					
At 31 August 2021	1,658,000	1,810	4,758	82,238	1,746,806
At 31 August 2020	1,685,000	2,755	7,469	98,092	1,793,316

15. Stocks

	2021 £	2020 £
Finished goods and goods for resale	30,802	31,517

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
	45,014	66,692

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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.

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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

	Balance at 1 September 2019 £	Income £	Expenditure £	Balance at 31 August 2020 £
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)	-
	<u>2,464</u>	<u>25,000</u>	<u>(27,464)</u>	<u>-</u>
Total of funds	<u>968,492</u>	<u>1,366,267</u>	<u>(1,494,348)</u>	<u>840,411</u>

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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)

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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	-	-

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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.