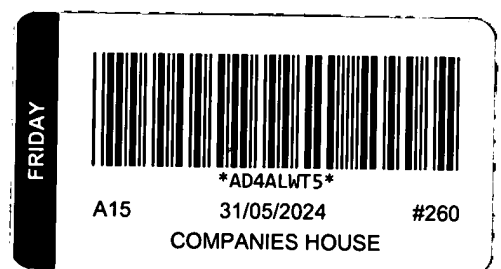


Registered number: 03801729
Charity number: 1078804

The Art Academy
(A Company Limited by Guarantee)

Trustees' Report and Financial Statements

For the Year Ended 31 August 2023



The Art Academy
(A Company Limited by Guarantee)

Contents

| | Page |
|--|---------|
| Reference and administrative details of the Charity, its Trustees and advisers | 1 |
| Trustees' report | 2 - 9 |
| Independent auditors' report on the financial statements | 10 - 12 |
| Statement of financial activities | 13 |
| Balance sheet | 14 |
| Statement of cash flows | 15 |
| Notes to the financial statements | 16 - 30 |

The Art Academy
(A Company Limited by Guarantee)

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2023

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2022 to 31 August 2023. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

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

Organisational structure

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

Methods of appointment or election of Trustees

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

Policies and procedures adopted for the induction and training of trustees

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

Pay policy for key management personnel

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

Related party relationships

At each trustees meeting any related party information is disclosed.

Risk management

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2023

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

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

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

Aims

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

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

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

Principles

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2023

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

Activities

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

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

b. Strategies for achieving objectives

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

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

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

c. Activities undertaken to achieve objectives

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

d. Social investment policies

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

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

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

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2023

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

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

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

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

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

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

ACHIEVEMENT AND PERFORMANCE

a. Main achievements of the Charity

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

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

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

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

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

b. Key performance indicators

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

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

Review of activities

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2023

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

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

c. Factors relevant to achieve objectives

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

d. Fundraising activities and income generation

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

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

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

Financial review

a. Going concern

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

b. Reserves policy

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

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

c. Principal risks and uncertainties

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2023

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

d. Financial risk management objectives and policies

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

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

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

e. Principal funding

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

f. Review of the results

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

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2023

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

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

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

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

Plans for future periods

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

Key future plans include:

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

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

Statement of Trustees' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report
For the year ended 31 August 2023

Disclosure of information to auditors


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

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

Auditors


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

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

DocuSigned by:

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A Custis
Trustee

Date: 30 May 2024

DocuSigned by:

D6E99DA2F5614C5...

D J Fennell
Trustee

The Art Academy
(A Company Limited by Guarantee)

Independent Auditors' Report to the Members of The Art Academy

Opinion

We have audited the financial statements of The Art Academy (the 'charity') for the year ended 31 August 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2023 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

The Art Academy
(A Company Limited by Guarantee)

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

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

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

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

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

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

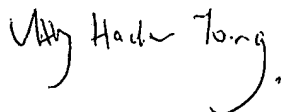
In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 30 May 2024

The Art Academy
(A Company Limited by Guarantee)

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

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

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

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

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


Balance Sheet
As at 31 August 2023

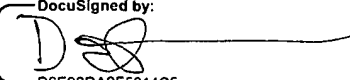
| | Note | 2023 £ | 2022 £ |
|---|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 9,000 | - |
| Tangible assets | 14 | 1,668,644 | 1,705,921 |
| | | <u>1,677,644</u> | <u>1,705,921</u> |
| Current assets | | | |
| Stocks | 15 | 54,226 | 27,756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

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

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

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

DocuSigned by:

 26F0B52589DC42A...
A Custis

DocuSigned by:

 D6E99DA2F5614C5...
D J Fennell

Date: 30 May 2024

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

The Art Academy
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2023

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

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

The Art Academy
(A Company Limited by Guarantee)

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

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

2.2 Going concern

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

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

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

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.2 Going concern (continued)

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

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

2.3 Income

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

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

2.4 Expenditure

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

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

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

All expenditure is inclusive of irrecoverable VAT.

2.5 Allocation and apportionment of costs

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

2.6 Intangible assets and amortisation

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.6 Intangible assets and amortisation (continued)

Amortisation is provided on the following basis:

| | | |
|-------------------|---|------|
| Computer software | - | 20 % |
|-------------------|---|------|

2.7 Tangible fixed assets and depreciation

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

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

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

Depreciation is provided on the following basis:

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

2.8 Stocks

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

2.9 Debtors

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

2.10 Cash at bank and in hand

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

2.11 Liabilities and provisions

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.12 Financial instruments

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

2.13 Operating leases

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

2.14 Pensions

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

2.15 Fund accounting

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

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

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

3. Critical accounting estimates and areas of judgment

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

4. Income from donations and legacies

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

The Art Academy
(A Company Limited by Guarantee)

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

5. Income from charitable activities

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

6. Income from other trading activities

Income from fundraising events

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

7. Investment income

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

The Art Academy
(A Company Limited by Guarantee)

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

8. Analysis of expenditure on charitable activities

Summary by fund type

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

9. Analysis of expenditure by activities

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

Analysis of direct costs

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

The Art Academy
(A Company Limited by Guarantee)

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

9. Analysis of expenditure by activities (continued)

Analysis of support costs

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

10. Auditors' remuneration

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

11. Staff costs

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

11. Staff costs (continued)

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

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

12. Trustees' remuneration and expenses

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

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

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

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

13. Intangible assets

| | Computer software £ |
|-----------------------|------------------------------------|
| Cost | |
| Additions | 9,000 |
| At 31 August 2023 | 9,000 |
| Net book value | |
| At 31 August 2023 | 9,000 |
| At 31 August 2022 | - |

The Art Academy
(A Company Limited by Guarantee)

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

14. Tangible fixed assets

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

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

15. Stocks

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

16. Debtors

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

The Art Academy
(A Company Limited by Guarantee)

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

17. Creditors: Amounts falling due within one year

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

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

19. Statement of funds

Statement of funds - current year

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

Statement of funds - prior year

| | <i>Balance at 1 September 2021 £</i> | <i>Income £</i> | <i>Expenditure £</i> | <i>Balance at 31 August 2022 £</i> |
|---------------------------|--|---------------------|--------------------------|--|
| Unrestricted funds | | | | |
| General Funds | 649,168 | 1,601,391 | (1,822,876) | 427,683 |

Restricted funds

| | | | | |
|---|---|--------|----------|---|
| North West Multi-Ward Neighbourhoods Fund | - | 5,000 | (5,000) | - |
| Waterman Prize | - | 19,000 | (19,000) | - |
| Kickstart Scheme | - | 26,709 | (26,709) | - |
| | - | 50,709 | (50,709) | - |

| | | | | |
|-----------------------|----------------|------------------|--------------------|----------------|
| Total of funds | 649,168 | 1,652,100 | (1,873,585) | 427,683 |
|-----------------------|----------------|------------------|--------------------|----------------|

The Art Academy
(A Company Limited by Guarantee)

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

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

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

Analysis of net assets between funds - prior year

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

The Art Academy
(A Company Limited by Guarantee)

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

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

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

22. Analysis of cash and cash equivalents

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

23. Analysis of changes in net debt

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

The Art Academy
(A Company Limited by Guarantee)

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

24. Contingent liabilities

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

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

25. Pension commitments

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

26. Operating lease commitments

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

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

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

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

27. Trustees' benefits: advances, credit and guarantees

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

28. Related party transactions

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

29. Post balance sheet events

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

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

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

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