

Registered number: 03801729
Charity number: 1078804

The Art Academy
(A Company Limited by Guarantee)

Trustees' report and financial statements

For the Year Ended 31 August 2022

The Art Academy
(A Company Limited by Guarantee)

Contents

	Page
Reference and administrative details of the Charity, its Trustees and advisers	1
Trustees' report	2 - 8
Independent auditors' report on the financial statements	9 - 11
Statement of financial activities	12
Balance sheet	13
Statement of cash flows	14
Notes to the financial statements	15 - 29

The Art Academy
(A Company Limited by Guarantee)

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

The Trustees present their annual report together with the audited financial statements of the Charity for the year 1 September 2021 to 31 August 2022. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

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

Organisational structure

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

Methods of appointment or election of Trustees

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

Policies and procedures adopted for the induction and training of trustees

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

Pay policy for key management personnel

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

Related party relationships

At each trustees meeting any related party information is disclosed.

Risk management

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

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

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

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

Aims

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

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

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

Principles

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

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

Activities

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

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

b. Strategies for achieving objectives

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

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

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

c. Activities undertaken to achieve objectives

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

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

d. Social investment policies

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

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

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

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

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

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

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

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

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

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

ACHIEVEMENT AND PERFORMANCE

a. Main achievements of the Charity

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

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

b. Key performance indicators

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

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

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

Review of activities

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

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

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

c. Factors relevant to achieve objectives

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

d. Fundraising activities and income generation

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

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

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

Financial review

a. Going concern

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

b. Reserves policy

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

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

c. Principal risks and uncertainties

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

d. Financial risk management objectives and policies

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

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

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

e. Principal funding

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report

For the year ended 31 August 2022

f. Review of the results

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

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

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

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

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

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

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

Plans for future periods

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

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

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

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

The Art Academy

(A Company Limited by Guarantee)

Trustees' report For the year ended 31 August 2022

Statement of Trustees' responsibilities

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

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

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

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

Disclosure of information to auditors

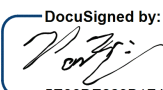
Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

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


Auditors

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

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

DocuSigned by:

5E86DE223B1F444...
P J Harris
Trustee

Date: 26 May 2023

DocuSigned by:

2088604D0CF24F3...
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 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

The Art Academy
(A Company Limited by Guarantee)

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

The Art Academy
(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 Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 26 May 2023

The Art Academy
(A Company Limited by Guarantee)

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

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

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

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

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


Balance Sheet
As at 31 August 2022

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

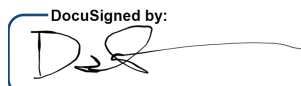
The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

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

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

DocuSigned by:

 5E86DE223B1F444...
P J Harris
 Trustee

Date: 26 May 2023

DocuSigned by:

 2088604D0CF24F3...
D J Fennell
 Trustee

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

The Art Academy
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2022

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

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

The Art Academy
(A Company Limited by Guarantee)

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

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

2.2 Going concern

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

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

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.2 Going concern (continued)

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

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

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

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

2.3 Income

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

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

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

2.4 Expenditure

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

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

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

All expenditure is inclusive of irrecoverable VAT.

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.5 Government grants

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

2.6 Allocation and apportionment of costs

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

2.7 Tangible fixed assets and depreciation

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

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

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

Depreciation is provided on the following basis:

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

2.8 Stocks

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

2.9 Debtors

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

2.10 Cash at bank and in hand

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

The Art Academy
(A Company Limited by Guarantee)

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

2. Accounting policies (continued)

2.11 Liabilities and provisions

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

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

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

2.12 Financial instruments

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

2.13 Operating leases

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

2.14 Pensions

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

2.15 Fund accounting

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

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

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

3. Critical accounting estimates and areas of judgment

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

The Art Academy
(A Company Limited by Guarantee)

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

4. Income from donations and legacies

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

5. Income from charitable activities

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

The Art Academy
(A Company Limited by Guarantee)

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

6. Income from other trading activities

Income from non charitable trading activities

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

7. Investment income

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

8. Analysis of expenditure on charitable activities

Summary by fund type

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

The Art Academy
(A Company Limited by Guarantee)

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

9. Analysis of expenditure by activities

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

Analysis of direct costs

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

The Art Academy
(A Company Limited by Guarantee)

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

9. Analysis of expenditure by activities (continued)

Analysis of support costs

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

10. Auditors' remuneration

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

11. Staff costs

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

The Art Academy
(A Company Limited by Guarantee)

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

11. Staff costs (continued)

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

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

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

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

12. Trustees' remuneration and expenses

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

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

The Art Academy
(A Company Limited by Guarantee)

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

13. Tangible fixed assets

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

14. Stocks

	2022 £	2021 £
Goods for resale	27,756	30,802

15. Debtors

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

The Art Academy
(A Company Limited by Guarantee)

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

16. Creditors: Amounts falling due within one year

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

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

18. Financial instruments

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

19. Statement of funds

Statement of funds - current year

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

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

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

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

The Art Academy
(A Company Limited by Guarantee)

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

19. Statement of funds (continued)

Statement of funds - prior year

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

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

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

Analysis of net assets between funds - prior year

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

The Art Academy
(A Company Limited by Guarantee)

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

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

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

22. Analysis of cash and cash equivalents

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

23. Analysis of changes in net debt

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

24. Pension commitments

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

The Art Academy
(A Company Limited by Guarantee)

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

25. Operating lease commitments

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

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

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

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

26. Related party transactions

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

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