

REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018
FOR
THE ART ACADEMY

THE ART ACADEMY
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FOR THE YEAR ENDED 31 AUGUST 2018

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THE ART ACADEMY

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31 AUGUST 2018**

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 August 2018. The trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

OBJECTIVES AND ACTIVITIES

Objectives, aims and activities

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

Aims

- > To contribute to the creation of great works of art, by
- > Providing the highest standard of education to students wishing to become professional artists, by
- > Giving creative opportunities to the wider community and by
- > Encouraging debate around the practice and principles of Higher Education in Fine Art

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

- > Constantly striving to improve all of its courses, in particular the Diploma in Fine Art, in order to train students to become professional artists capable of producing excellent work.
- > Offering a programme of learning with unique attributes, combining intensive skills training with creative and professional development.
- > Seeking out and engaging the best possible tutors, resident artists and staff to support the students in their learning.
- > Striving to make its programmes at all levels accessible to the widest possible audience by keeping any increase in fees to a reasonable level and offering flexible payment terms and attendance patterns to accommodate those on low incomes or students whose circumstances change after enrolment. Offering students, when possible, bursaries to aid in financing their courses.
- > Operating a broad and open admissions policy to encourage diversity in our student body.
- > Creating the best learning opportunities we can through a programme designed with the help of professional artists and institutions and one that is governed by the highest academic standards.
- > 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 in 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 art work in any medium, both traditional and contemporary.
- > Training every student to develop a critical and spontaneous creative process which allows them to be true to their creative vision.
- > Helping students to understand the art market and the world of the professional artist to enable them to make informed choices within their creative practice.
- > Providing a supportive, vibrant and eclectic artistic community where creativity can be nurtured.

Activities

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

THE ART ACADEMY

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31 AUGUST 2018**

OBJECTIVES AND ACTIVITIES

Community benefit

The Art Academy is an Arts Educational Charity, largely funded by the fees from our courses. We firmly believe that providing high quality arts education is, of itself, a huge benefit to the community, but as part of our commitment to making great art education accessible to all we offer generous bursaries on our accredited courses to students from disadvantaged backgrounds. We are also committed to a programme of outreach and community art activities including offering free spaces on our Young Artists courses, working with local disability groups providing tuition as well as sharing our resources such as studio and gallery space with other art organisations and artists.

We are also committed to driving benefits beyond these direct activities. As such, as well as helping us to achieve our core educational aims and objectives, a proportion of donated income goes directly to helping one of our outreach programmes.

ACHIEVEMENT AND PERFORMANCE

Charitable activities

The Academy has enjoyed another successful year, Diploma student numbers have consolidated, and many graduates have now gone onto undertake Masters of Art at renown Universities across Europe. The Foundation Course continues although the numbers have dropped off slightly, mainly due to the loss of European students choosing to study at the Art Academy with the uncertainties of Brexit. Students graduating from the Foundation are attending a wide range of top art courses at various universities. The Certificate course continues to provide a platform for those who cannot commit to full time study but wish to study and pursue their passion for art. The Contemporary Portrait Diploma has seen numbers grow and the launch of the new Sculpture Diploma has had a strong first year.

The public courses at the Art Academy have once again seen some growth in numbers with the total number of students studying on a short course in excess of three thousand one hundred across the year.

FINANCIAL REVIEW

Principal funding sources

Students' tuition fees from both the Academic and Public courses are the principal funding source for the Art Academy. Southwark Council have leased the Old Newington Library at a lower than market rent to the Art Academy with a three year lease to aid in the expansion plans. Plans have started to be put in place to begin raising bursary donations from local businesses in addition to targeting small donations, at point of purchase, from the public course students. A grant from the GLA was received to help with the fit out of equipment at the Gallery at Old Newington Library making it possible to provide an affordable space for local artists and charities to use to exhibit.

Review of the results

During the year the Art Academy generated a net surplus of £57,867 (2017 - £185,571). The decline in net income is broadly the result of lower margins and higher overheads. Whilst total income rose by 6% total expenditure increased by 15%.

In 2018 Tuition course fees which represent 86.7% of total income rose by 3.5% to £1,543,229 (2017 - £1,490,784) whilst the related direct costs for teaching art classes increased by 21.9% or £254,846 to £1,417,505 (2017 - £1,162,659).

The major increase in support costs relates to payroll and professional services costs which increased by 25.6% to £473,591 (2017 - £377,192). Other notable items are short leasehold rents payable which increased by 14.4% to £185,250 (2017 - £161,897) and Health & Safety costs of £12,697 (2017- £1,415 in building maintenance).

Reserves policy

The Art Academy requires financial reserves to maintain and advance its activities and long term aims and objectives. Reserves are required to:

- meet operational costs in the event of a sudden downturn in the economy resulting in a sharp fall in fee income. Currently approximately £430,000 is earmarked for this purpose.
- potentially carry out capital improvements and expansion of the Academy's freehold building.
- reduce the current mortgage in the event of a steep rise in interest rates.
- potentially acquire additional space as and when this could be financed.

THE ART ACADEMY
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 AUGUST 2018

FUTURE DEVELOPMENTS

The Art Academy will continue to pursue validation of a BA in Fine Art and Foundation Degrees in Contemporary Portraiture and Sculpture through partnership with The Open University, (subject to conditions being met). This is due to start in September 2019.

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

With the commencement of the BA in Fine Art comes a growing need for the Art Academy buildings to comply with the Equalities Act of 2010. There have been many accessibility improvements undertaken this year including the installation of an Accessible WC on the ground floor as well as new stair nosing, electrical upgrades and fire safety improvements.

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

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

Organisational structure

Robert Pepper is in his second year as Principal role, Sue Spaul Director of Programmes, Sophie Singh has returned from maternity leave in a new position as Director of Development, Darren Nairn Academic Quality Manager, Zuzana Knightova as Public Courses Manager, Shirley Wang Finance Controller, Astrid Gorrissen has joined as Operations Manager and Jenana Kekic as Marketing Manager.

Induction and training of new trustees

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

Risk management

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

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

The safety of the students is reviewed regularly by the Technicians, the General Manager and the Tutors. Individual student training in the use of hazardous materials and machinery is recorded by the Technicians.

PUBLIC BENEFIT

The trustees confirm that they have regard to the Charity Commission's guidelines on public benefit when exercising any powers or duties to which that guidance is relevant.

THE ART ACADEMY
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 AUGUST 2018

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
03801729 (England and Wales)

Registered Charity number
1078804

Registered office
Mermaid Court
165a Borough High Street
London
SE1 1HR

Trustees

P R Kullich

D J H Wright
M Tattersall (Chair)
P J Harris

S Cornock

J C Littler

M R C Gerlis
D Fennell
G S Scott

Management
consultant

Architect

Arts centre director

Finance, retail &
wholesale consultant

Higher Education - Deceased on 20/02/2019
professional & curator

Senior executive in
PR & communications

Journalist

Creative Director -Appointed on 02/03/2018
- Resigned on 20/02/2018

Company Secretary
S M A Zahedi

THE ART ACADEMY
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 AUGUST 2018

REFERENCE AND ADMINISTRATIVE DETAILS

Auditors

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

Key Management Personal

Rob Pepper -Principal (Appointed 16/11/ 2017)
Sue Spaul - Vice Principal

STATEMENT OF TRUSTEES RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

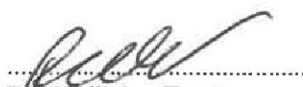
- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, UHY Kent LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by order of the board of trustees on 21st May 2019 and signed on its behalf by:


P.R. Kullich - Trustee

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE ART ACADEMY**

Opinion

We have audited the financial statements of The Art Academy (the 'charitable company') for the year ended 31 August 2018 on pages 10 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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 2018 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE ART ACADEMY**

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities set out on page six, 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.

Our responsibilities for the audit of the financial statements

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

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



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

Date: 22 May 2019

THE ART ACADEMY

Statement of Financial Activities Incorporating Income and Expenditure Account
FOR THE YEAR ENDED 31 AUGUST 2018

		Unrestricted fund	Restricted funds	2018 Total funds	2017 Total funds
	Notes	£	£	£	£
INCOME AND ENDOWMENTS FROM					
Donations and legacies	2	10,450	12,500	22,950	11,249
Charitable activities	5				
Teaching art classes		1,556,290	-	1,556,290	1,490,784
Resident artists' studios		97,044	-	97,044	83,794
Other trading activities	3	102,920	-	102,920	91,991
Investment income	4	525	-	525	708
Total		1,767,229	12,500	1,779,729	1,678,526
EXPENDITURE ON					
Raising funds	6	130,603	-	130,603	108,572
Charitable activities	7				
Teaching art classes		1,405,005	12,500	1,417,505	1,162,659
Resident artists' studios		165,786	-	165,786	145,724
Other		7,968	-	7,968	76,000
Total		1,709,362	12,500	1,721,862	1,492,955
NET INCOME		57,867	-	57,867	185,571
RECONCILIATION OF FUNDS					
Total funds brought forward		901,961	2,464	904,425	718,854
TOTAL FUNDS CARRIED FORWARD		959,828	2,464	962,292	904,425

CONTINUING OPERATIONS

All income and expenditure has arisen from continuing activities.

The notes form part of these financial statements

BALANCE SHEET
AT 31 AUGUST 2018

		Unrestricted fund	Restricted funds	2018 Total funds	2017 Total funds
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	13	1,812,805	-	1,812,805	1,831,780
CURRENT ASSETS					
Stocks	14	34,092	-	34,092	26,927
Debtors	15	76,652	-	76,652	87,104
Cash at bank and in hand		<u>668,667</u>	<u>2,464</u>	<u>671,131</u>	<u>508,999</u>
		779,411	2,464	781,875	623,030
CREDITORS					
Amounts falling due within one year	16	(528,604)	-	(528,604)	(402,608)
NET CURRENT ASSETS		<u>250,807</u>	<u>2,464</u>	<u>253,271</u>	<u>220,422</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,063,612	2,464	2,066,076	2,052,202
CREDITORS					
Amounts falling due after more than one year	17	(1,103,783)	-	(1,103,783)	(1,147,777)
NET ASSETS		<u>959,829</u>	<u>2,464</u>	<u>962,293</u>	<u>904,425</u>
FUNDS	20				
Unrestricted funds				959,829	901,961
Restricted funds				<u>2,464</u>	<u>2,464</u>
TOTAL FUNDS				<u>962,293</u>	<u>904,425</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies.

The financial statements were approved by the Board of Trustees on 2nd May 2019 and were signed on its behalf by:


P. Kullich - Trustee


D J H Wright - Trustee

The notes form part of these financial statements

THE ART ACADEMY

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Cash generated from operations	1	311,154	249,140
Interest paid		<u>(31,939)</u>	<u>(28,623)</u>
Net cash provided by (used in) operating activities		<u>279,215</u>	<u>220,517</u>
 Cash flows from investing activities:			
Purchase of tangible fixed assets		(33,860)	(33,060)
Interest received		<u>525</u>	<u>708</u>
Net cash provided by (used in) investing activities		<u>(33,335)</u>	<u>(32,352)</u>
 Cash flows from financing activities:			
New loans in year		-	-
Loan repayments in year		<u>(83,748)</u>	<u>(83,967)</u>
Net cash provided by (used in) financing activities		<u>(83,748)</u>	<u>(83,967)</u>
 Change in cash and cash equivalents in the reporting period		<u>162,132</u>	<u>104,198</u>
Cash and cash equivalents at the beginning of the reporting period	2	<u>508,999</u>	<u>404,801</u>
 Cash and cash equivalents at the end of the reporting period	2	<u>671,131</u>	<u>508,999</u>

The notes form part of these financial statements

THE ART ACADEMY

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2018

1. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the reporting period (as per the statement of financial activities)	57,867	185,571
Adjustments for:		
Depreciation charges	52,836	47,610
Interest received	(525)	(708)
Interest paid	31,939	28,623
Increase in stocks	(7,165)	(1,815)
Decrease/(increase) in debtors and prepayments	10,452	(21,016)
Increase in creditors	<u>165,750</u>	<u>10,875</u>
Net cash provided by operating activities	<u><u>311,154</u></u>	<u><u>249,140</u></u>

2. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash in hand	1,324	1,850
Notice deposits (less than 3 months)	669,807	507,149
Overdrafts included in bank loans and overdrafts falling due within one year	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u><u>671,131</u></u>	<u><u>508,999</u></u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Income

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

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 nearly 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.

Tangible fixed assets

Plant and equipment costing over £1,000 which has a useful life in excess of five years is capitalised. Significant leasehold improvements are also capitalised and written off over the remaining period of the lease.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold building	- 2% on cost (cost estimated at 75% of total purchase price)
Short leaseholds & licences	- in accordance with the period of the lease or licence
Plant & machinery etc.	- 20% on cost

Stocks

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

Taxation

The charity is exempt from corporation tax on its charitable activities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in note 20 'movement in funds'.

Hire purchase and leasing commitments

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

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES – continued

Pension costs and other post-retirement benefits

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

2. Donations and Legacies

	Unrestricted Fund £	Restricted Fund £	2018 £	2017 £
Donation	10,450	-	10,450	11,249
Grants	-	12,500	12,500	-
	10,450	12,500	22,950	11,249

3. OTHER TRADING ACTIVITIES

	2018 £	2017 £
Sales of art materials	83,762	78,580
Creativity team building	13,303	13,411
Discount Given	5,855	-
	<u>102,920</u>	<u>91,991</u>

4. INVESTMENT INCOME

	2018 £	2017 £
Deposit account interest	<u>525</u>	<u>708</u>

5. INCOME FROM CHARITABLE ACTIVITIES

	Activity	2018 £	2017 £
Tuition course fees	Teaching art classes	1,543,229	1,490,784
Resident artists' studio rent	Resident artists' studios	97,044	83,794
Other misc. income	Teaching art classes	13,061	-
		<u>1,653,334</u>	<u>1,574,578</u>

6. RAISING FUNDS

Other trading activities

	2018 £	2017 £
Art material purchases	72,782	63,544
Creativity training costs	5,016	8,747
Support costs	<u>52,805</u>	<u>36,281</u>
	<u>130,603</u>	<u>108,572</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

7. CHARITABLE ACTIVITIES COSTS

	Direct costs	Support costs (See note 8)	Totals
	£	£	£
Teaching art classes	656,918	760,587	1,417,505
Resident artists' studios	<u>25,616</u>	<u>140,170</u>	<u>165,786</u>
	<u>682,534</u>	<u>900,757</u>	<u>1,583,291</u>

8. SUPPORT COSTS

	Management	Finance	Information technology
	£	£	£
Other trading activities	28,527	2,763	1,274
Other resources expended	6,507	630	291
Teaching art classes	431,362	41,774	19,270
Resident artists' studios	<u>26,898</u>	<u>2,605</u>	<u>1,202</u>
	<u>493,294</u>	<u>47,772</u>	<u>22,037</u>

	Human resources	Property running costs	Governance costs	Totals
	£	£	£	£
Other trading activities	1,715	17,869	657	52,805
Other resources expended	391	-	150	7,969
Teaching art classes	25,935	232,333	9,913	760,587
Resident artists' studios	<u>1,617</u>	<u>107,230</u>	<u>618</u>	<u>140,170</u>
	<u>29,658</u>	<u>357,432</u>	<u>11,338</u>	<u>961,531</u>

Activity	Basis of allocation
Management	Turnover
Finance	Turnover
Information technology	Turnover
Human resources	Turnover
Property running costs	Floor space
Governance costs	Turnover

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

9. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	2018	2017
	£	£
Auditors' remuneration	3,468	4,134
Depreciation - owned assets	52,836	47,610
Other operating leases	<u>185,250</u>	<u>161,897</u>

10. TRUSTEES' REMUNERATION AND BENEFITS

Trustees' expenses

No trustees have been paid remuneration or received any other benefit from an employment with the Art Academy.

During the year 1 trustee (2017: 1) received reimbursed travel expenses amounting to £66.81 (2017: £89.10).

11. STAFF COSTS

	2018	2017
	£	£
Wages and salaries	407,627	340,343
Social security costs	40,505	30,532
Other pension costs	<u>4,711</u>	<u>6,317</u>
	<u>452,843</u>	<u>377,192</u>

The Key Management Personnel of the Art Academy comprise the senior managers as listed on Page 6. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) and other payments paid to key management personnel for their services to the Art Academy was £75,975 (2017: 50,638).

The average monthly number of employees during the year was as follows:

	2018	2017
Executive	2	3
Administration	9	6
Technical services	<u>4</u>	<u>3</u>
	<u>15</u>	<u>12</u>

No employees received emoluments in excess of £60,000.

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

12. COMPARATIVES FOR THE STATEMENT OF 31 August 2017 FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted funds £	Total funds £
INCOME AND ENDOWMENTS FROM			
Donations and legacies	11,249	-	11,249
Charitable activities			
Teaching art classes	1,490,784	-	1,490,784
Resident artists' studios	83,794	-	83,794
Other trading activities	91,991	-	91,991
Investment income	708	-	708
Total	1,678,526	-	1,678,526
 EXPENDITURE ON			
Raising funds	108,572	-	108,572
Charitable activities			
Teaching art classes	1,162,659	-	1,162,659
Resident artists' studios	145,724	-	145,724
Others	76,000	-	76,000
Total	1,492,955	-	1,492,955
 NET INCOME	185,571	-	185,571
 Transfers between funds	-	-	-
 RECONCILIATION OF FUNDS			
Total funds brought forward	716,390	2,464	718,854
 TOTAL FUNDS CARRIED FORWARD	901,961	2,464	904,425

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

13. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Plant and machinery £
COST			
At 1 September 2017	1,820,306	16,645	59,973
Additions	-	-	-
At 31 August 2018	<u>1,820,306</u>	<u>16,645</u>	<u>59,973</u>
DEPRECIATION			
At 1 September 2017	54,306	12,807	33,559
Charge for year	<u>27,000</u>	<u>3,838</u>	<u>7,871</u>
At 31 August 2018	<u>81,306</u>	<u>16,645</u>	<u>41,430</u>
NET BOOK VALUE			
At 31 August 2017	<u>1,766,000</u>	<u>3,838</u>	<u>26,414</u>
At 31 August 2018	<u>1,739,000</u>	<u>-</u>	<u>18,543</u>
	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 September 2017	27,471	61,114	1,985,509
Additions	<u>26,343</u>	<u>7,517</u>	<u>33,860</u>
At 31 August 2018	<u>53,814</u>	<u>68,631</u>	<u>2,019,369</u>
DEPRECIATION			
At 1 September 2017	13,554	39,503	153,729
Charge for year	<u>5,330</u>	<u>8,798</u>	<u>52,836</u>
At 31 August 2018	<u>18,884</u>	<u>48,299</u>	<u>206,564</u>
NET BOOK VALUE			
At 31 August 2017	<u>13,917</u>	<u>21,611</u>	<u>1,831,780</u>
At 31 August 2018	<u>34,930</u>	<u>20,332</u>	<u>1,812,805</u>

Included in cost or valuation of land and buildings is freehold land of £455,077 (2017 - £455,077) which is not depreciated.

14. STOCKS

	2018 £	2017 £
Stocks	<u>34,092</u>	<u>26,927</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors less bad debts provision	25,275	41,306
Prepayments	37,459	45,603
Other debtors	<u>13,918</u>	<u>195</u>
	<u>76,652</u>	<u>87,104</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 18)	34,605	36,860
Other loans (see note 18)	-	37,500
Trade creditors	28,278	79,248
Social security and other taxes	10,228	11,948
Short term loans	-	328
Deposits held	114,706	94,607
Deferred revenue	283,338	105,149
Accrued expenses and credit card	<u>57,449</u>	<u>36,968</u>
	<u>528,604</u>	<u>402,608</u>

Deferred Income

	2018	2017
	£	£
Deferred income at 1 st September 2017	105,149	169,697
Resourced deferred during the year	283,338	105,149
Amount released from previous years	<u>(105,149)</u>	<u>(169,697)</u>
	<u>283,338</u>	<u>105,149</u>

Deferred income at the year-end comprised course fee income received in advance of £283,338.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Bank loans (see note 18)	1,103,783	1,139,447
Other loans (see note 18)	<u>-</u>	<u>8,330</u>
	<u>1,103,783</u>	<u>1,147,777</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

18. LOANS

An analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year on demand:		
Bank overdraft	-	-
Bank loans	34,605	36,860
Other loans	<u>-</u>	<u>37,500</u>
	<u>34,605</u>	<u>82,690</u>
 Amounts falling between one and two years:		
Bank loans - 1-2 years	35,699	36,370
Other loans - 1-2 years	<u>-</u>	<u>8,330</u>
	<u>35,699</u>	<u>44,700</u>
 Amounts falling due between two and five years:		
Bank loans - 2-5 years	1,068,084	1,103,077
Other loans - 2-5 years	<u>-</u>	<u>-</u>
	<u>1,068,084</u>	<u>1,103,077</u>

The bank loan is a first mortgage secured on the charity's freehold property at 165a Borough High Street.

The amount payable in 2 to 5 years represents £35,699 for financial year ending 31/8/20, plus the balance payable by 16/10/2020 in accordance with the terms of the loan agreement. Whilst the entire Natwest bank loan is shown as falling due within five years, the loan was taken out on the understanding that it will be rolled forward into another loan at the end of the initial period; the trustees intention is to repay the loan over the total 25 year period, over which the current monthly repayments are based, ending in 2040.

19. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018 £	2017 £
Within one year	123,059	183,674
Between one and five years	<u>375,270</u>	<u>491,350</u>
	<u>498,329</u>	<u>675,024</u>

THE ART ACADEMY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 AUGUST 2018

20. MOVEMENT IN FUNDS

	At 1.9.17 £	Net movement in funds £	At 31.8.18 £
Unrestricted funds			
General fund	901,961	57,867	959,828
Restricted funds			
Outreach fund	2,464	-	2,464
Greater London Authority	-	-	-
TOTAL FUNDS	<u>904,425</u>	<u>57,867</u>	<u>962,292</u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	1,767,229	(1,709,362)	57,867
Restricted funds			
Outreach fund	-	-	-
Great London Authority	12,500	(12,500)	-
TOTAL FUNDS	<u>1,779,729</u>	<u>(1,721,862)</u>	<u>57,867</u>

The Outreach Fund is a fund to be spent teaching art to disadvantaged young people.
The Greater London Authority Fund is fund used to help regenerate the Newington Library.

21. Analysis of net assets between funds

	Unrestricted Fund £	Restricted Fund £	Total Fund 2018 £
Tangible Fixed Assets	1,812,805	-	1,812,805
Current Assets	783,972	2,464	786,436
Creditors due in one year	(533,166)	-	(533,166)
Creditors (amounts due after one year)	<u>(1,103,783)</u>	<u>-</u>	<u>(1,103,783)</u>
	<u>959,828</u>	<u>2,464</u>	<u>962,292</u>

22. RELATED PARTY DISCLOSURES

During the year, The Art Academy paid £750 (2017: £Nil) to Curveball Limited for the staff Christmas lunch. P. Harris (Trustee) is a director of this company. No balances were outstanding at the year-end.