

MIDLANDS ARTS CENTRE  
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

Company No: 00718349

Charity No: 528979

MIDLANDS ARTS CENTRE  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 March 2015

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# MIDLANDS ARTS CENTRE

## CHAIR'S REPORT 2014/2015

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2014-15 was another very successful year for **mac birmingham** with some significant "firsts" to celebrate.

**mac** was admitted to Tate Gallery's touring programme ARTIST ROOMS for the first time and we presented the work of American artist, Robert Therrien including No Title (Table and Four Chairs) 2003, a colossal sculpture of a dining room set enlarged to three times its original size. Locating this show at the heart of our summer 2014 programme, it welcomed more than 16,000 visitors to our first-floor gallery and spread throughout the building with a team of young people using the themes of Therrien's work to engage and develop young audiences across a range of art forms including storytelling, puppetry, filmmaking and installations.

Artist Noëmi Lakmaier spent a year in residency as Disability Curator in Residence at **mac**, supported by DASH (Disability Arts Shropshire) as part of 'IN', an Arts Council England funded project to sustain Disability Arts in the mainstream. Highlights included;

- Awkward Bastards: A symposium to challenge and explore the concept of diversity, drawing links and breaking down barriers between different cultures and schools of thought. The symposium was attended by artists, academics and activists from the UK and the USA.
- Disrupted: a group exhibition themed on awkwardness spreading over **mac's** ground floor and bringing together established and emerging artists working both in the realm of Disability Arts and in the mainstream.

Whilst **mac** has been presenting cultural content on screens, screening alternative content for some time, we have grown our programme very successfully to reflect more art forms, These screenings attract significant new audiences and now account for 12% of our film attenders and 23% of our film income.

New content in 2014/15 included:

- Curated tours of exhibitions such as Matisse live from Tate Modern
- Presenting theatre from National Theatre Live, Manchester International Festival, The Old Vic and RSC
- Opera from ENO and Glyndebourne Festival
- Live concerts from Laura Mvula and Jason Singh
- Berlin Philharmonic Orchestra
- The Vatican Museums Tour

**mac** has been working collaboratively with a network of regional theatres to produce high quality Christmas family shows which would tour around the partner venues over a number of years. 2014's Christmas Show, Thumbelina's Great Big Adventure, was a co-production with Cambridge Junction and The Brewery, Kendal. We have also continued to invest in our relationship with Red Earth Theatre (having previously commissioned their show The Lost Happy Endings for Christmas 2010 and 2011) by pairing them with a new company, A Little Commitment, for a new children's show exploring diversity and difference, The Pirate and the Parrot.

**mac** is one of the busiest arts centres in the country and its audiences and participants perhaps the most diverse. In the youngest city in Europe it is good to report the increasing numbers of children and young people with whom we engage. As we achieved our ambition to deliver excellence and growth we were also pleased to meet our budgets and to secure another year of stable trading following the investment in the reopening years. We are enormously grateful to all the Trusts, businesses and individuals who support us and to a number of new Trusts who supported our work very generously.

Our Chief Executive / Artistic Director and her Senior Management team have shown the imagination, ambition and drive which carry **mac** forward and demonstrated the skills and experience to continue developing an organisation that is more diverse and more ambitious than ever. Our reach increases, our audiences develop and our engagement deepens with each year.

Our success in growing audiences over the year saw significant increases in 2014-15:

- Footfall +8%
- Total bookers +14%
- Ticketed sales income +30%
- Online sales +71%
- Attendances increase: cinema (+6%), performances (+15%) and visual arts (+8% across all spaces)
- Learning programmes attendance increased by 7% and income by 11%.

We are particularly pleased to record that 1 in 5 attenders to **mac**'s ticketed events are from areas of traditionally low engagement. This proportion would undoubtedly increase were we to include non-ticketed activity and outreach engagement in those indicators.

Longstanding board member John Smith, former chair of the charity and chair of our Development Committee for many years stood down after more than 30 years' service to the organisation. Anita Bhalla too stood down in 2014 from her role as Chair of the Board after a long and very distinguished contribution to the centre. We owe them both our most sincere gratitude for all they helped **mac** to achieve during their period of office.

Wanjiku Nyachae was appointed as Chair at the 2014 AGM. Sadly personal circumstances made it impossible for Wanjiku to continue and she resigned from the board on 21 May 2015. I was appointed by my colleague board members to serve as Interim Chair and I am delighted to have the pleasure and privilege of seeing the workings of this organisation at even closer quarters. We were very pleased to welcome a group of new board members at the 2014 AGM, all of whom have made a considerable contribution to the board's deliberations and brought their skills and experience to help steer the strategic direction of the organisation. Together we are constantly impressed by and appreciate the skill and commitment of our staff team and the artists who sustain and develop **mac**'s creative work every day.

I would like to record our thanks to everyone who plays a part in enabling **mac** to deliver its extraordinary work: our public investors, Birmingham City Council and Arts Council England; the many companies, trusts, foundations and private individuals who give us financial support; our audiences and participants, new and old; and my colleague Board members.



Mary Martin  
Interim Chair  
29 September 2015

# MIDLANDS ARTS CENTRE REPORT OF THE DIRECTORS AND TRUSTEES

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The Directors present their Annual Report together with the Financial Statements for the year ended 31 March 2015.

## REFERENCE AND ADMINISTRATIVE INFORMATION

Charity Name	Midlands Arts Centre	
Charity Registration Number	528979	
Company Registration Number	00718349	
Registered Office	Cannon Hill Park Birmingham B12 9QH	
Bankers	HSBC Plc 130 New Street Birmingham B2 4JU	Scottish Widows PO Box 12757 67 Morrison Street Edinburgh EH3 8YJ
Auditors	Clement Keys LLP Statutory Auditors No.8 Calthorpe Road Birmingham B15 1QT	

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

During the year under review, the following individuals served on the Board of Directors:

Cllr Matt Bennett	(appt. 27/07/2015)	Kamara Bennett	(appt. 24/11/2014)
Anita Bhalla (Chair)	(resigned 25/09/2014)	Chris Cuthbert	
Yetunde Dania	(appt. 24/11/2014)	Cllr James Hutchings	(retired 27/07/2015)
Gwenda Hughes		Emrys Jones	
Greg Lowson (Vice Chair)		Mary Martin (Vice Chair)	(appt. Interim Chair 21/5/15)
Louise McCathie	(appt. 24/11/2014)	Sara Meyer	(appt. 24/11/2014)
Wanjiku Nyachae	(appt. Chair 25/09/2014)	Linda Saunders	
	(resigned 21/05/2015)	John Smith	(resigned 25/09/14)
Ken Sloan	(resigned 27/01/2015)	Cllr Martin Straker-Welds	
Sue Scholes	(appt. 24/11/2014)	Mike Williams	

Chris Cuthbert, Emrys Jones, Greg Lowson and Mike Williams, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

## Governing document

Midlands Arts Centre (trading as **mac birmingham**) is a company limited by guarantee and a registered charity. It was established on 19 March 1962 (Certificate of Incorporation on Change of Name; 5 December 1990) and its Articles of Association amended to allow for current governance arrangements on 18 November 1992 (11 to 12 Board members); on 15 November 1995 (2 to 3 Birmingham City Council nominated Board members) and on 25 September 2014 (12 to 15 Board members).

The company's object is the promotion of, education in and appreciation of the arts. This primary charitable object is set out in its governing instrument which is its Memorandum and Articles of Association. The company's Mission is to promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives. **mac's** principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others; and
- participate in, and undertake, their own arts activities.

The governing body is the Board whose members are non-executive and unpaid. The Board meets regularly, retains full and effective control over the company and monitors the Executive (see below). The Board is involved in major strategic decisions and has ultimate responsibility for the conduct and financial stability of the arts centre. It seeks to support the Executive in a culture of mutual confidence and trust.

## Recruitment and appointment to the Board of Directors

As set out in the Articles of Association the number of members of the Board (other than those nominated by Birmingham City Council) as specified in article 31 of the Articles of Association is no less than 4 and not more than 15. Birmingham City Council may appoint up to three members of the Board. The Chair and Vice-Chair are elected by the Board from amongst their number. Nominees appointed by Birmingham City Council are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to Local Government nominees. Board members at the date of this Report are listed above as are all Board members who served during the year under review.

## Organisational structure

The Board of Directors (the Trustees) meets on a regular basis. The Directors delegate the day to day running of the company to the Artistic Director/Chief Executive (CEO) who is assisted by a Senior Management Team.

During the year they were:

Dorothy Wilson: Artistic Director and Chief Executive

Michelle Smith: Strategic Operations Director

Hinal Shah: Head of Finance

Lindsey Cook: Head of Sales and Marketing

The Board delegates to the CEO full control over the selection and production of all programmes and events presented at, and under the auspices of, **mac**. The CEO and the other members of the Senior Management Team generally attend meetings of the Board. The Board appoints members of the Senior Management Team and determines their contracts of employment. The HR Sub-Committee of the Board reviews the remuneration of the staff annually. The Board monitors the performance of the Senior Management Team

and reviews the quality, effectiveness and timeliness of information provided to the Board by the Executive.

The Board has established a Finance and Governance Sub-Committee which reviews the financial performance of the company and plays a full part in strategic business planning. Financial Regulations have been established and approved by the Board of **mac**. They are intended to set out the working arrangements by which the Board gives effect to its statutory financial responsibilities, and to its management powers as defined in paragraphs 41 to 43 of the Articles of Association adopted by Special Resolution on 25 September 2014. Further, they provide details of powers delegated to the CEO and Managers of the Company by the Board in accordance with paragraphs 55 to 56 of these Articles of Association, and to its responsibilities under paragraphs 59 to 62 of these Articles of Association relating to Accounts and Audit.

The CEO is responsible to the Board for the proper administration of the Company's financial affairs. The CEO may delegate to the Head of Finance responsibility for systems, day-to-day accounting and preparation of regular management accounts and budgets.

### **Related parties**

**mac** is formally a member of the following organisations, with which it co-operates in the pursuit of its charitable objectives:

- Arts and Business
- Arts Marketing Association
- Birmingham Arts Partnership
- Birmingham Chamber of Commerce and Industry
- Cinema Exhibitors Association
- ENGAGE
- Independent Theatre Council
- Marketing Birmingham
- National Campaign for the Arts
- UK Theatre
- The National Institute of Adult Continuing Education
- Touring Exhibition Group
- Visita Group – Heart of England
- BFI SWWM Film Hub
- National Partnership of Arts Centres

The charity's wholly owned subsidiary, Midlands Arts Centre Trading Limited, was established to operate the commercial bar and catering facilities and facilities hire activities at **mac**.

In its work **mac** collaborates with a wide range of artistic and community partners.

### **OBJECTIVES AND ACTIVITIES**

**mac**'s principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others
- participate in, and undertake, their own arts activities.

The Board of **mac** and its staff have reviewed its business planning in the light of operational experience, future public investment prospects and the strategic context for its future activities. In shaping and reviewing its objectives and planning its activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance on public benefit and fee charging.

From 2008-2010 **mac** undertook a major capital project to secure its future, replace and refurbish its facilities and deliver the management of a substantially increased building facility. The expanded **mac** building enables a wide range of arts, learning and participation activities and provides a base for substantial outreach activities through touring and through community engagement, especially in communities with little local access to arts participation. **mac**'s commitment is to continue providing the people of Birmingham, and the wider sub-region, with a year round programme of arts events and learning activities. These activities are designed to meet the interest of all, and embrace specific strands for children, young people, those of retirement age and people with disabilities. **mac** places emphasis on equality of access and the celebration of intercultural activities.

**mac** communicates comprehensively to the general public through a dedicated interactive website and through a wide range of media, electronic and paper-based campaigns. The use of social media is used actively as a means for encouraging user interaction and communication.

The arts centre relies on grants and the income from fees and charges to cover its operating costs. In setting the level of fees, charges and concessions, the Board gives very careful consideration to the accessibility of the centre for those on low incomes.

Regards its programmes and service delivery, the Board has agreed the following:

**mac**'s ethos is based on a set of values which inform the whole of its activities. The tensions within the values help to shape the organisation's work and add an extra, creative spark to its activities. **mac** values the following:

- artistically experimental activities – and ones striving to engage with their audiences
- celebrating diversity - and strengthening social cohesion
- offering equal opportunities to everyone – and recognising the uniqueness of artistic talent
- increasing the accessibility of the arts – and respecting their complexity
- giving users and audiences more involvement in, and control over, programming – and introducing them to new challenges and innovations
- helping artists to find their own, unique voice – and to forge productive partnerships with other artists and the general public
- making the most of the social benefits of the arts – and valuing the pleasure people gain from their own individual artistic expression.

## **Key Strategies**

**mac** seeks to achieve these objectives by:

- using its ethos to promote an adventurous, expressive, and approachable programme of arts events and activities
- developing intercultural projects which increase people's enjoyment and understanding of their own and different cultures
- encouraging and facilitating the development of people's own creativity, knowledge and skills
- providing creative projects and activities for children and young people
- increasing the numbers and range of **mac**'s existing users
- deepening the impact of **mac**'s work through community outreach, and regional and national touring
- offering support, opportunities and practical help to artists to develop their work and careers

- building on established partnerships with other arts organisations, community groups and agencies, and developing new ones
- working in partnership with schools, cultural organisations, agencies, public bodies and the non-arts sector to develop programmes for particular target groups
- becoming the natural hub for artists making new and contemporary work in the city, and create opportunities for artist development
- providing access to arts projects and programmes to as many people as possible including those with fewer resources and opportunities
- ensuring the highest possible quality of work.

# MIDLANDS ARTS CENTRE STRATEGIC REPORT

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**mac** is committed to ensuring that talent and artistic excellence are thriving and celebrated. Our work centres on commissioning, supporting and producing excellent, engaging new work for existing and new audiences and reflects the diversity, demography and ambition of Birmingham and the region. Some examples in 2014/15:

- David Rowan's *The Dark River*, co-commissioned with Flatpack Festival to sit alongside *Walk On*, a major Touring exhibition from Art Circuit.
- *ATRESBANDES Solfatara*, made at **mac** as part of their prize for winning the Jury Prize at 2012's BE Festival.
- Diversity celebrated through Disabled Curator in Residence and associated programme.
- Highly successful Christmas shows: excellent press and audience reviews and attendances. Building collaborations with other centres/theatres in co-commissioning/producing family/children's shows.
- Jon Tonks' *Empire* exhibition, a collaboration between Library of Birmingham and Ffotogallery which will tour throughout 2015.
- *Interactivos? Birmingham*, a two-week digital media project challenging creators to collaborate and develop a prototype, was a partnership between **mac**, MediaLab Prado, Birmingham City University, sampad and BBC Birmingham.
- Tim Shaw RA's *Black Smoke Rising* exhibition, a co-commission with Aberystwyth Arts Centre increased visitor numbers and had profound responses from audiences.
- Birmingham-based dancer and choreographer Marie-Louise Crawley spent a two-week residency exploring the movement of visitors around the *ARTIST ROOMS Therrien* exhibition, culminating in four performances.
- Host venue for *Afrovibes* festival, working in collaboration with both *The Drum* and *The Rep* to develop new audiences for culturally-specific work.
- Sid Peacock's Associate Artist tenure at **mac**, supported by Arts Council England and the Feeney Trust, created a youth ensemble and several new genre-defying compositions.
- One of Bryony Kimmings last ever performances of the critically-acclaimed *Credible Likeable Superstar Role Model*.
- Caroline Horton returned in *You're Not Like the Other Girls Chrissy* which **mac** co-commissioned in 2009.

Visual arts programmes recognise the importance of producing content to situate **mac**'s commitment to and integrity in the visual arts, both in the region and beyond.

Exhibitions included:

- The Koestler Trust's *Double Take*: an exhibition of Prison Art which was our highest selling exhibition in terms of volume since our 2010 redevelopment.
- *Wish You Were Here*: a continuation of our relationship with Art Circuit after 2014's *Walk On* and includes work from local artists such as Ruth Claxton and established "names" such as Gilbert & George and Yoko Ono.
- Will Shannon's *The Closet Craftsman*, co-curated with Craftspace won plaudits for its approach to crafting sustainable living.
- In partnership with the University of Birmingham *50 Years On: The Centre for Contemporary Cultural Studies* was successful in locating *The CCCS* in the local consciousness and celebrating its pioneering role in cultural studies.
- **made at mac**: a platform to share work produced through our courses makes transparent the process of creating work as much as showcasing the results. By putting the spotlight on a particular course and tutor, **made at mac** communicates the richness and quality of both the learning experience and the content produced on site.

## Communications and Digital Engagement

**mac** wants to see more people experience and be inspired by the arts. We have focused on increasing the amount of our activity made available to audiences digitally. Our new website went live in February 2014 and has enabled **mac** to reach:

- 150,947 more website users than previous year
- 41% of all ticket sales online, a 71% increase on the previous year.
- 34% of online transactions include a donation (as opposed to 38% of phone/counter sales)
- better navigation to non-ticketed activity, outreach work in communities and through partnerships and collaborations.

**mac**'s digital engagement continues to increase via social media and online contributions encouraged from all staff.

- Twitter – 37,000 followers (+60%)
- Klout score of 66 (+4)
- Facebook – 4986 likes (+22%)
- YouTube & Vimeo Channel – nearly 30,000 views
- Also Foursquare, Instagram, Flickr, Pinterest and LinkedIn

Increased digital output via our "alternative" content programmes, enriching and diversifying the programme to offer world class entertainment to audiences and growing a new strand of audiences that crossover film, theatre/opera/visual arts.

Working through our Next Generation programme we have continued to grow the region's young filmmakers and give them a platform to exhibit films in a cinematic environment.

We have also developed further the use of "The Hub" in our public space for digital activities and drop in screenings of **mac** content.

With a footfall in the centre now just shy of 1 million visitors per year, a highly active social media following on Twitter and Facebook, consistently developing sales rates via our website and a very high pick-up rate for print, **mac** continues to develop awareness of its presence and its offer with participants and audiences.

## Artists and Communities

Since its inception more than 50 years ago **mac** has always been concerned with its responsibilities to the ecology of artists and arts organisations, linking in partnership to grow its reach and provide space and advice to others. This helps us keep constant and relevant relationships across the diverse groups and communities who use **mac**. Examples include our Next Generation and **mac makes music** programmes where we have connected with young people in challenging circumstances.

Our *Arts Champion* role has delivered legacies in the communities of Hodge Hill, Yardley and outreach work in our current Champion District of Hall Green. Activity in Hall Green has included:

- A "**meet at mac**" introduction to Hall Green Arts Forum members to the centre and to learn about the organisation.
- Visual Arts workshops delivered at Balsall Heath Carnival.
- Workshops delivered during October half-term - Me and My World - creative art workshops for 2-5 years olds and their parents/carers.
- Game Plan – a participatory drama project led by Fluxx Theatre Company. A mix of theatre and debate the project was designed following workshops with residents.

- Local artist Bobby-Jane Gardner supported with free space as part of her soundscape project for local people titled for-Wards. A team of composers and professional musicians led a series of workshops with residents to create sonic maps of their neighbourhoods and a performance.
- Local artist Sima Gonsai has been supported through free space at **mac** in December with Freefall Dance Company (adult learning disabled dance company run by BRB and Fox Hollies School) running a dance workshop, a music workshop and a film screening. This film, made by the project then toured various film festivals.
- **mac** offered free tickets to the opening show of Christmas show Thumbelina to groups and schools in the Hall Green District.

## Commercial Trading Activities

Our trading activities have seen significant development with the addition of more Craft Fairs, Food Markets, gallery pop-up shops, an extended retail offer including artists' books, exhibition catalogues, artists' cards, books and **mac** branded merchandise as well as successful events sales, catering and bars services. Our trading arm has delivered increased income to the parent charity over the year.

## Equality, Diversity and Workforce

**mac birmingham** is an organisation committed to embracing and exploring diversity in its mission to provide a gateway connecting people with the arts. Both in its provision of services and as an employer, **mac** seeks not only to ensure equality of opportunity, but also to sustain a long term strategy to develop a greater understanding of the diversity of people that we live and work with in order to strengthen our programme, enhance our visitors' experience and enable staff to maximise their potential. In 2014 we made a voluntary commitment to pay all our staff no less than the National Minimum Wage.

**mac birmingham** is open to the public 7 days a week and is committed to maintain an environment of acceptance, accessibility and enjoyment for all and, while recognising that there are many differences within the community we serve, we strive to ensure that everyone is treated with respect and dignity.

For **mac** diversity goes beyond the requirements of the Single Equality Act 2010. Diversity is not about them and us. It's about all of us. The range of perspectives and experience diversity brings is an asset to our organisation, and we strive to create an inclusive, welcoming environment for visitors, artists, partners and employees alike where individual differences and the contributions of all are recognised and valued. Our jobs, like our arts centre, are open to all. Diversity is reflected in our employment strategies, our engagement with the public, our programming and business planning. This then provides unlimited opportunities for everyone to tap into their full potential and to add to the richness of our creative programmes and services.

Our mission at **mac** is to make innovative, creative arts activities an important part of people's lives. To do this and to do it well requires the commitment of everybody in the organisation, whether in the delivery of arts programming, supporting the functioning of the organisation or contributing to the commercial arm of our operation. We are pleased to offer a wide range of volunteering opportunities within the organisation and especially pleased that our volunteering and shadowing opportunities are available to, and taken up by, a significant number of people with personal experience of disability.

The knowledge, skills and ideas of everyone at **mac** are fundamental to how successful we are. The

**mac** Communication & Consultation Forum is an opportunity for all employees to gain a better understanding of **mac** and our operations, and to contribute to our future development. Monthly staff newsletters keep staff updated systematically with information on matters of concern to them as employees.

The Consultative Forum and regular staff meetings provide an effective means of consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests, and assist in achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

- As a committed learning organisation we offer investment and progression routes for our own workforce and others by providing volunteering and placement opportunities e.g. Creative Apprenticeships, work experience and internship opportunities with key regional HE/FE providers, volunteering on in-house and outreach projects.
- We worked with Mencap and Autism WM, placing mature students in shadowing roles with our Customer Service Assistants.
- We placed students in variety of roles including in our studios with technicians and artist tutors, in Customer Services, Arts, Catering and Administration departments.
- New Shoes - programme encouraging take-up of social action amongst young people in challenging circumstances in Birmingham. Partnership with Beetfrees delivered a demanding training programme for young people from referral agencies and youth charities (such as Youth Space, Rathbone, Youth Offending Service), developing their motivation, confidence, discipline, teamwork and a model of professional conduct in a holistic environment.
- Through the Cannon Hill Collective, and in partnership with IdeasTap and Somewhere\_to, supporting young people with their creative development, providing space to share and develop creative ideas, and develop their leadership abilities, risk taking and resilience.
- We developed our volunteer programme offering a range of opportunities on various projects. Take up worked particularly well in technical support for exhibition work.
- We appointed another Cannon Hill Collective “graduate” into a core role and recruited other emerging young talent. A Collective graduate was a successful applicant to join **mac**’s board.
- Successful Creative Apprenticeships programmes were delivered.

## PRINCIPAL RISKS AND CHALLENGES

We are committed to sustaining a confident and skilled organisation and providing the best possible creative environment in which to develop our work at **mac**, in communities and increasingly on line. Our planning acknowledges the importance of investing in high-quality artistic delivery, people and infrastructure to bring the best work to the widest audience. We regularly monitor risks to successful delivery of our artistic programme and use a range of self-assessment tools, external evaluation and peer review to help us ensure our work reaches our own high standards, supporting excellence whilst ensuring the widest possible participation and engagement.

The Board has reviewed and assessed the risks to which we may be exposed. A risk register identifies those risks and assigns specific actions and responsibilities for mitigating them. The risk management process is ongoing, and is regularly reviewed by the Board. The board maintains a watchful eye on organisational, reputational and operational risks, efficiency, streamlining operations, processes and practices to achieve the best and fairest use of our financial and human resources. During the year our business model planning looked at the likelihood of continued reduction in public investment and increasing emphasis on fundraising and diversification of other income streams. The business planning activities are enabling the Senior Management team and Board to make informed business decisions while understanding the risks and opportunities for the organisation and

how this might affect **mac**'s future plans.

The Finance and Governance Committee meets at least five times a year and at other times as required and reports to the full Board. The Finance and Governance Committee reviews the effectiveness of all material internal controls, including operational, financial and compliance controls and risk management systems. The internal systems are designed to meet the Company's particular needs and the risks to which we are exposed, to manage those risks and to provide reasonable assurance that mitigation plans are realistic and likely to be effective. The Committee also reviews and advises the board on established regular procedures, including budgetary controls, and monitors the receipt of income and both revenue and capital expenditure.

## FINANCIAL REVIEW

**mac**'s key financial objective is to ensure financial stability and continued solvency year on year so that it can pursue its artistic aims and objectives. For the financial period ended 31 March 2015 **mac** recorded a surplus of £97,909 on unrestricted operations, and the new financial year begins with a surplus of £364,521 on unrestricted general reserve. **mac** has followed SORP 2005 in preparing these financial statements and the statement of financial activities (SOFA), balance sheet and notes are set out from page 18 onwards.

- During the year our earned income represented 58% of total income;
- Core funding income from Arts Council England and Birmingham City Council (Service contract) was 29% of total income;
- Grant income from trusts, foundations, corporate and individual giving comprised 13% of total income;
- Wages, including employed artists as tutors, were 49% of total expenditure; and
- Payment to freelance and contracted artists represented 16.2% of total expenditure; whilst
- Costs of running the building were 11.7% of total costs.

In spring 2015 the Board created a new strategic plan. Progress is being monitored against this plan.

### Principal funding sources

**mac birmingham** generates income from its own sources - box office, fundraising, commercial trading income and other sundry sources including the revenue from touring its productions and exhibitions and fees paid for outreach projects and activities.

### Arts Council Funding

**mac** is a National Portfolio Organisation within the funding programmes of Arts Council England (ACE). **mac** has entered into a three year funding agreement with Arts Council from 1 April 2015 based on a cash standstill from 2014/15 through to 2017/18.

### Birmingham City Council Funding

**mac** has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council (BCC). BCC's budgets have also been cut. In 2014 the Council reduced by 17% its fee for services provided by **mac** for the year commencing April 2014 and indicated that this figure would remain at cash standstill for the year commencing April 2015.

### Fundraising

We continue to focus on fundraising from a variety of sources which is key to help sustain and

develop our activities, especially those offered to those with the least ability to pay, whether individuals or groups, and to support the work of emerging and early stage artists.

- We exceeded our fundraising target in 2014/15 with a total of £475,800 raised in the year.
- Our fundraising includes sums contributed through donations from individuals, trusts and foundations.
- An Award of £200,000 was received from the People's Postcode Lottery
- £27,374 of funding is attributed to support from individuals through interactive collection boxes in the building, donations at the point of sale; web/counter/phone.
- Constructive discussions continue with a number of Trusts in relation to potential new giving in 2015-16.

### **Investment Policy**

In formulating an investment policy, **mac** has recognised that whilst it may have surplus funds to invest, these are likely to be called upon in the short to medium term. The policy therefore is to hold investments in liquid funds so they are available to meet predicted cash-flow needs. In selecting suitable cash deposits the policy is to maximise the return and maintain low transaction costs whilst ensuring high levels of capital security by minimising credit risk, and minimising interest rate risk. Deposits and interest rates are reviewed regularly by the Finance and Governance Sub-Committee. The policy is reviewed on an annual basis.

### **Reserves policy**

The reserves of the charity have been divided into Restricted funds and General funds in accordance with charity legislation.

The Restricted fund represents money given to **mac** for specific capital and project work within the overall aims of the organisation. The funds are analysed between capital and project, as set out in notes 14 and 15 to the accounts. Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds over their lifetime. Project funds will usually be spent in full in the next 5 years. The balance on the long-term capital funds represents funds received from donors towards the **mac/sampad** Building Project and for the purchase of fixed assets, less the depreciation charged on an annual basis. Over time these reserves will reduce to zero as the assets are fully depreciated.

The balance on restricted funds as at 31 March 2015 of £2,904,348 includes a balance of £2,413,070 in respect of the capital redevelopment project and £491,278 grants and donations received in respect of specific arts projects. These grants and donations include sums from a range of supporters towards future commissions, productions, co-productions, exhibitions and events as part of **mac's** longer range artistic programme.

The General unrestricted reserves figure of £757,541 including £393,019 of designated funds, has been reviewed by the Trustees and they have determined, on the basis of detailed business and financial planning and cashflow projections through to 2018, that this is below the level required to maintain financial stability on an on-going basis, especially in light of an anticipated call on reserves to balance annual budgets and facilitate cashflow. More especially now, in the light of known and potential reductions in public investments over the next few years, it is felt that the level of reserves should be increased and therefore the Strategic plan 2015-2018 aims to realise modest surpluses to rebuild reserves. The Trustees also judge that modest provision should be allowed for any unforeseen legal or redundancy costs. It is also recognised that the economic environment continues to carry risks around ticket and other sales receipts as well as to its catering and other trading profits.

## Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £393,019 (2014: £531,568).

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who are also Trustees of Midlands Arts Centre for the purpose of Charity Law) are responsible for preparing the Annual Report, including the Strategic 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 directors 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 the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

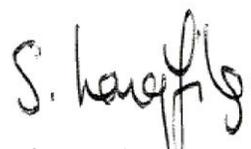
- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### BY ORDER OF THE BOARD



M Martin  
Interim Chair  
29 September 2015



S Longfils  
SECRETARY

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

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We have audited the financial statements of Midlands Arts Centre for the year ended 31 March 2015 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, set out on page 15, 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.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report, including the Strategic Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2015 and of the group's 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 and the Charities Act 2011.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Chair's Report and the Report of the Directors and Trustees, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

## 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 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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.



Simon Atkins FCA

Senior Statutory Auditor  
for and on behalf of:

Clement Keys LLP  
Statutory Auditors

No. 8 Calthorpe Road  
Birmingham  
B15 1QT

29 September 2015

**MIDLANDS ARTS CENTRE**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**(including an Income and Expenditure Account)**  
**for the year ended 31 March 2015**

	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	2015 Total £	2014 Total £
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds</b>						
<i>Voluntary Income</i>						
Grants and donations	2	778,867	-	-	778,867	749,088
<i>Activities for generating funds</i>						
Commercial trading operations	5	1,579,549	-	-	1,579,549	1,461,792
Office lettings, hire and recharges		34,252	-	-	34,252	82,027
Investment income	2	1,844	7,364		9,208	13,422
<b>Incoming resources from charitable activities</b>						
Grants, donations and other income	3	774,978	-	234,948	1,009,926	1,399,282
Arts activities	4	989,888	-		989,888	775,086
<b>Total Incoming resources</b>		<b>4,159,378</b>	<b>7,364</b>	<b>234,948</b>	<b>4,401,690</b>	<b>4,480,697</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds</b>						
Commercial trading operations	5	1,073,911	-	-	1,073,911	990,710
<b>Charitable activities</b>						
Building project costs	14	-	-	-	-	1,650
Arts activities	6 & 14	2,960,222	-	312,272	3,272,494	3,079,589
<b>Governance costs</b>	6	<b>27,336</b>	<b>-</b>	<b>-</b>	<b>27,336</b>	<b>21,804</b>
<b>Total resources expended</b>	6	<b>4,061,469</b>	<b>-</b>	<b>312,272</b>	<b>4,373,741</b>	<b>4,093,753</b>
<b>Net (outgoing)/ Incoming resources before transfers</b>		<b>97,909</b>	<b>7,364</b>	<b>(77,324)</b>	<b>27,949</b>	<b>386,944</b>
<b>Transfers between funds</b>		<b>(138,549)</b>	<b>138,549</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (outgoing)/ Incoming resources being net (expenditure)/ Income for the year</b>		<b>(40,640)</b>	<b>145,913</b>	<b>(77,324)</b>	<b>27,949</b>	<b>386,944</b>
<b>Reconciliation of funds</b>						
Fund balances brought forward		798,180	2,267,157	568,602	3,633,939	3,246,995
Fund balances carried forward		<b>757,540</b>	<b>2,413,070</b>	<b>491,278</b>	<b>3,661,888</b>	<b>3,633,939</b>

All activities of the Group are continuing and there is no difference between the reported result for the year stated above and that on a historical cost basis.

The Group has no recognised gains and losses other than those included in the Consolidated Statement of Financial Activities.

The notes on pages 22 to 38 form part of these financial statements.

# MIDLANDS ARTS CENTRE

Company number 00718349

## BALANCE SHEETS

as at 31 March 2015

		Consolidated		Company	
	Notes	2015 £	2014 £	2015 £	2014 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	9	2,595,313	2,607,242	2,577,248	2,598,247
Investment in subsidiary undertaking	10	-	-	100	100
		<u>2,595,313</u>	<u>2,607,242</u>	<u>2,577,348</u>	<u>2,598,347</u>
<b>CURRENT ASSETS</b>					
Stocks	11	22,316	21,093	-	-
Debtors	12	310,684	371,843	575,294	1,186,941
Cash at bank and in hand:					
- unrestricted		851,288	733,999	556,122	(117,049)
- restricted – projects		491,278	568,602	491,278	568,602
- restricted – capital		<u>2,413,070</u>	<u>2,267,157</u>	<u>2,413,070</u>	<u>2,267,157</u>
		<u>4,088,636</u>	<u>3,962,694</u>	<u>4,035,764</u>	<u>3,905,651</u>
<b>CREDITORS amounts falling within one year</b>	13	(3,022,061)	(2,935,997)	(2,951,224)	(2,870,059)
<b>NET CURRENT ASSETS</b>		<u>1,066,574</u>	<u>1,026,697</u>	<u>1,084,540</u>	<u>1,035,592</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,661,888</u>	<u>3,633,939</u>	<u>3,661,888</u>	<u>3,633,939</u>
<b>Represented by:</b>					
<b>RESTRICTED FUNDS</b>	14 & 15	2,904,348	2,835,759	2,904,348	2,835,759
<b>UNRESTRICTED FUNDS</b>					
General Funds	16	364,521	266,612	364,521	266,612
Designated Funds	16	393,019	531,568	393,019	531,568
		<u>3,661,888</u>	<u>3,633,939</u>	<u>3,661,888</u>	<u>3,633,939</u>

The notes on page 22 to 38 form part of these financial statements.

The financial statements were approved by the Board of Directors on 29 September 2015 and signed on its behalf by :

.....  
M Martin – Interim Chair

**MIDLANDS ARTS CENTRE**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 March 2015**

	Notes	2015 £	2014 £
<b>Reconciliation of net incoming resources to net cash flow from operating activities</b>			
Net incoming resources		27,949	386,944
Depreciation charges	9	56,364	41,123
Profit on disposal		-	9,073
Net interest	2	(9,208)	(13,422)
(Increase)/Decrease in stocks	11	(1,223)	(7,178)
Decrease/(Increase) in debtors	12	61,159	82,775
Increase in creditors	13	86,063	169,455
		<u>221,104</u>	<u>668,770</u>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		221,104	668,770
Returns on investments and servicing of finance	(a)	9,208	13,422
Capital expenditure	9	(44,435)	(341,720)
Increase in cash	(b)	<u>185,878</u>	<u>340,472</u>

The notes on pages 22 to 38 form part of these financial statements.

MIDLANDS ARTS CENTRE  
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 March 2015

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<b>(a)</b>	<b><u>Returns on investment and servicing of finance</u></b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Interest received	<u>9,208</u>	<u>13,422</u>

<b>(b)</b>	<b><u>Increase in cash</u></b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Balance at beginning of period	3,569,758	3,229,285
	Net cash inflow (note c)	<u>185,878</u>	<u>340,473</u>
	Balance at end of period	<u><u>3,755,636</u></u>	<u><u>3,569,758</u></u>

<b>(c)</b>	<b><u>Reconciliation of net cash flow to movements in net funds</u></b>	<b>£</b>
	Increase in cash during year being change in net funds	185,878
	Net funds at 1 April 2014	<u>3,569,758</u>
	Net funds at 31 March 2015	<u><u>3,755,636</u></u>

<b>(d)</b>	<b><u>Analysis of changes in net funds</u></b>	<b>At 1 April</b>	<b>Cash</b>	<b>At 31 March</b>
		<b>2014</b>	<b>flows</b>	<b>2015</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Cash at bank	<u>3,569,758</u>	<u>185,878</u>	<u>3,755,636</u>

# MIDLANDS ARTS CENTRE

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2015

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#### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies is set out below.

**a Basis of accounting**

The financial statements have been prepared under the historical cost convention and include the results of the charitable company's operations which are described in the Directors' and Trustees' Report.

The financial statements have been prepared in accordance with the provisions of the Companies Act 2006 and in compliance with the revised Statement of Recommended Practice - 'Accounting and Reporting by Charities' issued in March 2005 and applicable accounting standards.

**b Basis of Consolidation**

The consolidated financial statements consolidate the results of the parent company and of the subsidiary on a line by line basis. A separate Statement of Financial Activities and income and expenditure account for the charitable company itself are not presented because advantage has been taken of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

**c Incoming resources**

Income from arts activities is included in incoming resources in the period in which the relevant activity takes place. Income is deferred when admission fees are received in advance of the performances or events to which they relate.

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Income from commercial trading operations is recognised as earned.

Investment income is included in the financial statements as and when receivable and the amounts shown include taxation recoverable thereon, where applicable.

**d Donated services**

Where services are provided to the charity as a donation that would normally be purchased from suppliers, this contribution is included as an estimate based on the value of the contribution to the charity.

**e Resources expended**

Resources expended are included in the Consolidated Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities for its beneficiaries and comprises both the direct costs and support costs relating to those activities.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include audit fees and costs linked to the strategic management of the charitable company.

All costs are allocated between the expenditure categories of the Consolidated Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

**f Depreciation and impairment**

Buildings

Historically, amortisation has been provided on leasehold buildings with effect from 2 April 1984 to write off the expenditure over the remaining period of the lease. However, as the lease is due to be surrendered on practical completion of the new building project it has been fully impaired.

Short-term leasehold improvements and fixtures, fittings and equipment

Depreciation is being provided on short-term leasehold improvements and fixtures, fittings and equipment other than computers in equal annual instalments over their estimated working life of between 5 and 25 years.

Computers

Depreciation on computers is being provided in equal instalments over an estimated working life of 3 years.

Impairment

All long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such circumstances the charitable group estimates the future cash flows expected to result from the use of the asset and its disposal and where those are less than the carrying amount an impairment loss is recognised.

**g Capital grants**

Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds.

**h Stocks**

Stocks are valued at the lower of cost and estimated realisable value.

**i Lease rentals**

Rentals on operating leases are charged in the revenue account as incurred.

**j Pre-production costs**

These are written-off on the opening of a production, exhibition or other such project and are not carried forward to match against production income.

**k Pension costs**

The company is a member of the Pension Scheme for Administration and Technical Staff in the Arts, a defined benefit scheme. Contributions are charged to the Statement of Financial Activities in accordance with the rates advised by the Scheme Actuary.

To meet the requirements of auto-enrolment of staff into a pension scheme, the Company offers the NEST pension scheme.

**l Going concern**

These accounts have been prepared on a going concern basis.

The Directors and Trustees have considered the charitable company's business planning in the context of known resources and have reviewed the operating basis of the group's operations. A formal business plan for the period to 2018 has been prepared.

Midlands Arts Centre is dependent upon the continuing financial investment of Birmingham City Council and Arts Council England.

As detailed in the Report of the Directors and Trustees, Arts Council England has confirmed funding through until 31 March 2018 and Birmingham City Council has confirmed funding through until 31 March 2016.

The Trustees have prepared detailed revenue and cashflow forecasts for the coming year and having considered the results of these forecasts, together with the commitment from Birmingham City Council and Arts Council England, are satisfied that the charitable company remains a going concern.

## 2. VOLUNTARY INCOME

	2015	2014
	£	£
<b>Grants, Donations and other income - unrestricted</b>		
Arts Council England	739,147	736,159
Pinsent Masons pro-bono fees	12,346	8,156
Fund raising and gift aid donations	27,374	3,773
<b>Capital Development</b>		
Fund raising and gift aid donations	-	1,000
	<u>778,867</u>	<u>749,088</u>
<b>Investment Income</b>		
Unrestricted	1,844	2,479
Restricted	7,364	10,943
	<u>9,208</u>	<u>13,422</u>

### 3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2015	2014
	£	£
<b>Grants, Donations and other income - unrestricted</b>		
Birmingham City Council - Service level agreement	540,000	650,000
ACE Catalyst	-	183,000
J Paul Getty Charitable Trust	-	100,000
People's Postcode Lottery	200,000	100,000
Other Income	34,978	2,026
	<u>774,978</u>	<u>1,035,026</u>

	2015	2014
	£	£
<b>Grants, Donations and other income - restricted</b>		
<b>General Projects</b>		
Arts Council	17,500	57,966
Birmingham City Council	4,000	4,000
Bryant Trust	-	20,000
Monument Trust	-	84,600
National Foundation for Youth Music	98,953	110,000
Roughley Trust	15,000	15,000
Saintbury Trust	10,000	-
Other Projects	89,495	72,690
	<u>234,948</u>	<u>364,256</u>

### 4. INCOME FROM ARTS ACTIVITIES

	2015	2014
	£	£
Cinema	277,970	218,473
Learning and Participation	341,158	266,670
Visual Arts	50,948	26,321
Next Generation	34,767	27,183
Productions and Performances	276,637	212,835
Other Income	8,408	23,604
	<u>989,888</u>	<u>775,086</u>

## 5. TRADING OPERATIONS

The charitable company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services, event sales, venue hires and retail activities. During the year, Midlands Arts Centre Trading Limited made sales of £16,279 (2014: £18,602) to the parent company.

	2015	2014
	£	£
<b>Turnover</b>	1,595,828	1,480,394
Cost of sales	<u>(378,710)</u>	<u>(366,141)</u>
<b>Gross profit</b>	1,217,118	1,114,253
Staff costs	(557,242)	(507,573)
Other operating costs	(137,959)	(116,995)
Transactions with parent company:		
Facility fee payable	(182,000)	(150,000)
Technical and customer services support recharged	(68,117)	(60,310)
Room rental payable	(171,870)	(145,764)
Licence fees payable	(2,200)	(2,200)
Covenanted profit transferred under gift aid	<u>(97,730)</u>	<u>(131,411)</u>
<b>Operating profit</b>	-	-
Tax on profit on ordinary activities	-	-
Retained in subsidiary	<u>-</u>	<u>-</u>
<b>The assets and liabilities of the subsidiary at 31 March were:</b>		
Net current assets	<u>100</u>	<u>100</u>
<b>Total net assets</b>	<u>100</u>	<u>100</u>
<b>Aggregate share capital and reserves</b>	<u>100</u>	<u>100</u>

6. TOTAL RESOURCES EXPENDED

	Cinema	Learning and participation	Visual Arts	Performing Arts	Other Restricted Projects	Building Project	Trading operations	2014/15 Total	2013/14 Total
	£	£	£	£	£	£	£	£	£
<b>Costs directly allocated to activities</b>									
Staff costs, travel and subsistence	100,486	456,892	217,994	272,590	91,531	-	515,411	1,654,904	1,462,130
Payments relating to artists	97,534	139,435	84,825	212,733	173,374	-	-	707,901	657,157
Materials and consumables	14,474	43,599	108,295	23,918	16,837	-	532,368	739,491	668,016
Communications	16,352	63,656	17,642	82,703	5,645	-	-	185,998	209,498
IT systems providing direct arts support	6,232	11,669	3,890	11,669	6,845	-	1,878	42,183	28,837
Administration	1,231	1,231	18,139	301	8,490	-	24,254	53,646	35,667
<b>Total direct costs</b>	<b>236,309</b>	<b>716,482</b>	<b>450,785</b>	<b>603,914</b>	<b>302,722</b>	<b>-</b>	<b>1,073,911</b>	<b>3,384,123</b>	<b>3,061,305</b>
<b>Support costs allocated to activities</b>									
Premises and services costs	-	-	-	-	9,550	-	-	9,550	28,426
Building running costs	65,325	199,819	77,598	169,078	-	-	-	511,820	483,895
HR and administration	11,075	33,876	13,029	28,663	-	-	-	86,643	77,663
IT & Finance	26,651	99,229	38,165	83,963	-	-	-	248,008	308,143
Governance	3,697	10,454	4,276	8,909	-	-	-	27,336	21,804
Operations and planning	11,043	42,861	16,169	36,188	-	-	-	106,261	112,517
<b>Total support costs</b>	<b>117,791</b>	<b>386,239</b>	<b>149,237</b>	<b>326,801</b>	<b>9,550</b>	<b>-</b>	<b>-</b>	<b>989,618</b>	<b>1,032,448</b>
<b>Total costs - 2015</b>	<b>354,100</b>	<b>1,102,721</b>	<b>600,022</b>	<b>930,715</b>	<b>312,272</b>	<b>-</b>	<b>1,073,911</b>	<b>4,373,741</b>	<b>-</b>
<b>Total costs - 2014</b>	<b>326,565</b>	<b>1,021,073</b>	<b>543,473</b>	<b>869,706</b>	<b>340,576</b>	<b>1,650</b>	<b>990,710</b>	<b>-</b>	<b>4,093,753</b>

Support costs have been allocated to activities on a percentage linked to direct costs.

## 7. CHARITABLE EXPENDITURE

	2015	2014
	£	£
Expenditure includes:		
Auditors' remuneration		
- in respect of audit	9,750	10,850
- for specialist VAT advice (all holding company)	-	3,935
Depreciation – owned assets	56,364	41,123
Loss on disposal of fixed asset	-	9,073
	<u>          </u>	<u>          </u>

## 8. STAFF COSTS

	2015	2014
	£	£
Wages and salaries	1,921,645	1,757,302
Social security costs	111,410	112,724
Pension costs	36,563	30,176
Pension deficit reduction costs	75,361	64,877
	<u>2,144,979</u>	<u>1,965,079</u>

The company contributes to the Pension Scheme for Administrative and Technical Staff in the Arts, which is a national scheme of the defined benefit type. The scheme is closed to new members. The company has also established a defined contribution scheme with Standard Life and NEST.

	2015	2014
	Number	Number
The number of employees whose remuneration fell within the band £60,000 to £69,999	<u>1</u>	<u>1</u>

One trustee received reimbursed expenses of £67 during the year. (2014: Nil)

The average number of employees in the year was as follows:

	2015	2014
	Number	Number
Business and administration staff – Full time	26	27
Business and administration staff – Part time	62	63
Arts team – Full time	10	11
Arts team – Part time	59	69
Catering, bar and events staff	51	39
	<u>208</u>	<u>209</u>

## 9. TANGIBLE FIXED ASSETS

Consolidated	Leasehold land and buildings £	Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
<b>Cost</b>					
At 1 April 2014	4,781,492	75,720	249,180	57,025	5,163,417
Additions	-	-	30,985	13,450	44,435
At 31 March 2015	4,781,492	75,720	280,165	70,475	5,207,852
<b>Depreciation</b>					
At 1 April 2014	2,368,422	9,049	134,230	44,474	2,556,175
Charge for year	-	7,494	39,427	9,443	56,364
At 31 March 2015	2,368,422	16,542	173,657	53,917	2,612,538
<b>Net book values</b>					
At 31 March 2015	2,413,070	59,177	106,508	16,558	2,595,313
At 31 March 2014	2,413,070	66,671	114,950	12,551	2,607,242

In 2012 and 2014 there were additions of £2,185,000 and £228,070 to leasehold land and buildings representing the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to **mac** upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 20.

## 9. TANGIBLE FIXED ASSETS (Continued)

Company	Leasehold land and buildings £	Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
<b>Cost</b>					
At 1 April 2014	4,781,492	75,720	229,232	57,025	5,143,469
Additions	-	-	13,221	13,450	26,671
At 31 March 2015	4,781,492	75,720	242,453	70,475	5,170,140
<b>Depreciation</b>					
At 1 April 2014	2,368,422	9,049	123,277	44,474	2,545,222
Charge for year	-	7,494	30,733	9,443	47,670
At 31 March 2015	2,368,422	16,543	154,010	53,917	2,592,892
<b>Net book values</b>					
At 31 March 2015	2,413,070	59,177	88,442	16,557	2,577,248
At 31 March 2014	2,413,070	66,671	105,955	12,551	2,598,247

In 2012 and 2014 there were additions of £2,185,000 and £228,070 to leasehold land and buildings representing the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to **mac** upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 20.

## 10. INVESTMENT IN SUBSIDIARY UNDERTAKING

The company owns 100% of the issued share capital of Midlands Arts Centre Trading Limited, a company registered in England and Wales, and whose principal activity is the provision of catering services, event sales and hire. The results of the subsidiary undertaking are set out in note 5.

## 11. STOCK (Consolidated Only)

	2015	2014
	£	£
Catering and bar stocks	14,132	13,453
Retail Stock	8,184	7,640
	<u>22,316</u>	<u>21,093</u>

## 12. DEBTORS

	Consolidated		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Amounts falling due within one year</b>				
Due from subsidiary undertaking	-	-	372,382	922,397
Other debtors	126,566	126,428	24,765	22,965
Prepayments	149,121	125,581	143,551	122,581
Accrued income	34,997	119,834	34,596	118,998
	<u>310,684</u>	<u>371,843</u>	<u>575,294</u>	<u>1,186,941</u>

## 13. CREDITORS

	Consolidated		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Amounts falling due within one year</b>				
Trade creditors	225,091	191,907	170,765	138,183
Taxation and social security	73,105	57,074	73,105	57,074
Other creditors	2,470,876	2,474,757	2,470,876	2,474,758
Accruals	113,403	97,822	112,175	94,806
Deferred income	139,586	114,437	124,303	105,238
	<u>3,022,061</u>	<u>2,935,997</u>	<u>2,951,224</u>	<u>2,870,059</u>

#### 14. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Projects (note 15) £	Total £
At 1 April 2014	<u>2,267,157</u>	<u>568,602</u>	<u>2,835,759</u>
<b>Incoming resources</b>			
Incoming resources (note 3)	-	234,948	234,948
Investment income (note 2)	7,364	-	7,364
Transfer of funds*	<u>138,549</u>	<u>-</u>	<u>138,549</u>
Total incoming resources	145,913	234,948	380,861
<b>Resources expended</b>			
Arts activities	-	<u>(312,272)</u>	<u>(312,272)</u>
	-	(312,272)	(312,272)
At 31 March 2015	<u><u>2,413,070</u></u>	<u><u>491,278</u></u>	<u><u>2,904,348</u></u>

\*A transfer of £138,549 has been made from the designated reserve to the restricted capital development fund in order that this fund contains sufficient monies to represent the agreed lease premium payment (see note 20 for further detail)

## 15. ANALYSIS OF RESTRICTED PROJECT FUNDS (Charity and group)

	01 April 2014	Incoming resources	Resources expended	31 March 2015
	£	£	£	£
Arts Council - Catalyst	26,392	17,500	(15,553)	28,339
Birmingham City Council - Arts Champion Scheme	400	4,000	(1,565)	2,835
Monument Trust Towards Next Generation programme of work with Young People	108,224	-	(100,519)	7,705
National Foundation for Youth Music Youth music Inclusion programme working with children and young people in challenging circumstances	40,883	98,953	(118,300)	21,536
Other Projects*	392,703	114,495	(76,335)	430,863
<b>Total</b>	<b>568,602</b>	<b>234,948</b>	<b>(312,272)</b>	<b>491,278</b>

\* Includes sums from a range of supporters including Bryant, Roughley, Saintbury, Feeney and Grimmitt Trusts towards commissions, productions, co-productions, exhibitions and events as part of **macs'** longer range artistic programme.

16. UNRESTRICTED FUNDS (Charity and group)

	General Funds £	Designated Funds £	Total £
At 1 April 2014	266,612	531,568	798,180
Net incoming resources before transfers	97,909	-	97,909
Transfer of funds	-	(138,549)	(138,549)
At 31 March 2015	<u>364,521</u>	<u>393,019</u>	<u>757,541</u>

At the year end, the designated funds are allocated £393,019 (2014: £531,568). £100,000 (2014: £100,000) towards Next Generation programmes with Young People, £183,000 (2014: £183,000) towards strategic development initiatives and £110,019 (2014: £102,655) towards the support of new Outreach and Learning programmes.

## 17. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 March 2015 are represented by:			
Fixed assets	182,243	2,413,070	2,595,313
Stock	22,316	-	22,316
Debtors	310,684	-	310,684
Cash at bank and in hand	851,288	2,904,348	3,755,636
Creditors	(608,991)	(2,413,070)	(3,022,061)
	<u>757,540</u>	<u>2,904,348</u>	<u>3,661,888</u>

The designated funds within unrestricted funds are represented by cash at bank.

## 18. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY

The financial activities shown in the consolidated statement of financial activities includes those of the company's wholly owned subsidiary.

A summary of the financial activities undertaken by the parent charitable company is set out below:

	2015 £	2014 £
<b>Gross incoming resources</b>	3,344,058	3,508,590
Total expenditure on charitable activities	(3,288,773)	(3,099,842)
Governance costs	(27,336)	(21,804)
<b>Net incoming resources for the year</b>	<u>27,949</u>	<u>386,944</u>
Total funds brought forward	3,633,939	3,246,995
<b>Total funds carried forward</b>	<u>3,661,888</u>	<u>3,633,939</u>
<b>Represented by:</b>		
Unrestricted funds	364,521	266,612
Designated funds	393,019	531,568
Restricted funds	2,904,348	2,835,759
	<u>3,661,888</u>	<u>3,633,939</u>

## 19. LEASE COMMITMENTS

The charitable company has a commitment to pay a peppercorn rent expiring after more than five years on the leasehold land and buildings at Cannon Hill Park.

## 20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

**mac** is committed to make a contribution towards the capital development project.

At the date of signing the accounts, an amount of £2,413,070 has been recognised in fixed assets as a capitalised lease premium with a corresponding creditor recorded in accruals.

The charitable company is the representative member of a VAT registration group with its subsidiary company. The parent and subsidiary are jointly and severally liable for any VAT due from the representative member.

## 21. TAX STATUS

As a charitable company, Midlands Arts Centre, is exempt from tax on income and gains falling within Sections 481-489 of the Corporation Taxes Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen within the charitable company. The trading subsidiary has no profits which are subject to taxation under the provisions of the Income and Corporation Taxes Act 2010.

## 22. PENSIONS

Up until December 2012, when the scheme was closed to future accrual, **mac** had active members in the Pension Scheme for Administration and Technical Staff in the Arts, a defined benefit scheme.

The scheme is an unsegregated multi-employer scheme and the charity is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly in compliance with FRS17 – Retirement Benefits, it has been accounted for as a defined contribution scheme and therefore the total pension cost is equal to the cost of the contributions payable to the scheme for the accounting period. For the year to 31 March 2015, total contributions payable were £71,116 (2014: £58,236).

At the last valuation date of 31 March 2013, based on the Statutory Funding Objective basis, the value of investments was £15.5 million and the actuarial valuation of benefits earned to 31 March 2013 was £18.7 million. The scheme deficit as at the last valuation was therefore £3.2 million.

In order to contribute towards reducing the above deficit based upon the valuation of the Scheme as at 31 March 2013, **mac** has agreed to pay deficit reduction contributions of £6,141 per month from 1 June 2014 until 31 May 2029.

The Company also offers the NEST pension scheme to meet the requirements of auto-enrolment of staff into a pension scheme.

## **23. MEMBERS**

The charity is incorporated as a company limited by guarantee and, in accordance with the Memorandum of Association of the company, every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves such amount as may be required, not exceeding one pound. The number of members at 31 March 2015 was 15 (2014: 33).

## **24. RELATED PARTY TRANSACTIONS**

A number of the trustees of Midlands Arts Centre have interests in organisations which have provided support and funding to the charity in the year. The Trustees have considered the disclosure requirements of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) and of Financial Reporting Standard number 8: Related Party Disclosures, and consider that the transactions requiring disclosure are as follows:

Greg Lawson, Trustee, is Managing Partner of Pinsent Masons, a firm the charity uses for the provision of legal services. Pro-bono fees donated by Pinsent Masons are disclosed in note 2 to the accounts. Invoiced fees during the year totalled £419 (2014: £Nil).

Chris Cuthbert, Trustee, is the Director of Acquis Media Ltd., a firm the charity uses for the provision of IT support and video and design services. Invoiced fees during the year totalled £16,218 (2014: £11,191) and £1,773 is in trade creditors at 31 March 2015. The transactions are on favourable terms to **mac**.

## **25. ULTIMATE CONTROLLING PARTY**

**mac** is controlled by its Board of Trustees.