

Richmond,  
The American International University  
in London, Inc

REPORT AND FINANCIAL STATEMENTS

30 June 2013

Richmond, the American International University in London, Inc  
FINANCIAL STATEMENTS  
for the year ended 30 June 2013

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Richmond, the American International University in London, Inc  
MANAGEMENT AND ADVISERS

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BANKERS

HSBC PLC  
67 George Street,  
Richmond,  
Surrey,  
TW9 1HG

JP Morgan Chase Bank N.A.  
2 Corporate Drive, Suite 730  
Shetton, CT 06484  
USA

SOLICITORS

Powers Pyles Sutter & Verville PC  
1501 M Street NW  
Seventh Floor  
Washington, DC, 20005  
USA

Penningtons LLP  
Abacus House  
33 Gutter Lane  
London  
EC2V 8AR

REGISTERED AUDITOR

Baker Tilly UK Audit LLP  
Chartered Accountants  
Registered Auditor  
25 Farringdon Street  
London  
EC4A 4AB

REGISTERED OFFICE

The Corporation Trust Company  
Corporation Trust Centre  
1209 Orange Street  
Wilmington  
Delaware 19801  
United States of America

(US Company Registration No 722450)  
(UK Company Registration No FC8955)

# Richmond, the American International University in London, Inc

## TRUSTEES' RESPONSIBILITIES

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The Trustees submit their report and audited financial statements for the year ended 30 June 2013.

### ACTIVITIES

The University is an independent US non-profit educational charity with tax exempt status under section 501 (c) (3) of the US Internal Revenue Code.

The University is accredited in the United States by The Middle States Commission on Higher Education and validated in the United Kingdom by the Open University (previously Open University Validation Services).

Following the successful reaccreditation by Middle States and the institutional review by the Open University which took place in 2011/12, the University underwent a full institutional review by the Quality Assurance Agency (QAA), at its own instigation during 2012/13. The outcome of this was highly successful with the University meeting UK expectations on all four QAA review criteria: academic standards, quality of student learning opportunities, information about learning opportunities, and enhancement of student learning opportunities. The QAA report praised the "care and attention paid to academic and pastoral support for international students throughout their association with the university". Among recommendations for improvement, the report says that the University should "align its terminology about complaints and appeals to reflect the relevant chapter of the UK Quality Code for Higher Education".

Although not a U.K. charity regulated by the Charities Commission, the University is cognizant of U.K. legislation. Trustees have noted the implementation of latest provisions of the Charities Act 2006 and the recent guidance issued by the Commission. The University awards over 7% (2012 – 8%) of its total income as scholarships to its students. Work is progressing to allow scholarships to be fairly awarded to students on the basis of need. Need is difficult to ascertain as the wide diversity of students' country-of-residence means that identifying need and the student's ability to access local resources is complex.

The amount that Home / EU students attending a private university can get as loans from the UK Government is capped at £6,000. The University offers interest free payment plans to allow students who can't immediately pay the £3,000 difference to still attend.

In the Fall of 2012, 98 Home / EU invoiced students arrived, this was 33 more than budget and 38 more than last year. However there was a decline in the number of international fee students, 11 compared to a budget of 40 and 102 recruited in the previous year. Masters students remained consistent at 27 (2012: 28), although 6 of these students were Home / EU students on half fees. Overall although the total number of students is consistent with the previous year (227 vs 237) the fee mix change has resulted in reduced income.

2013 ended with a loss of £271,601 (2012: loss £432,863). This was an improvement on the previous year and an improvement on the deficit which had originally been forecast for the year.

The University hedged its dollar collections for 2012–13 and is at 40% for the expected 2013-14 need. The rate for 2012 – 2013 was 1.60 (2012:1.60).

Income net of scholarships increased by 2% (2012: increased by 2%) during the year ended 30 June 2013.

The University has a cross guarantee with the Richmond Foundation to support the mortgage from Allied Irish Bank that was used to purchase the 23 Queen's Road residence. Due to the losses incurred one of the banking covenants with AIB was breached, AIB has confirmed that they will not call in the mortgage but will review the interest rate charged when the facility has its annual review in the early part of 2014.

Reserves at 30 June 2013 were £1,880,872 (2012: £2,152,473).

# Richmond, the American International University in London, Inc

## TRUSTEES' RESPONSIBILITIES

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### TRUSTEES

The Trustees of the University who served during the year were:

#### American Trustees

Dr Mariam Assefa	Executive Director, World Education Services
Dr Vivian Day	Alumna
Mr Michael Hoffman (Chairman)	Director, Cambridge Education Group
Mr George King	Vice Chairman, Connectivity Solutions International
Dr Deborah McLean	Vice Chairman, Board of Trustees (resigned 17 May 2013)
Ms Wendy Miller	Trustee, Walther Foundation

#### British Trustees

Professor John Annette	President, Richmond The American International University in London Inc
Ms Ailsa Brookes	Senior Vice President, AIFS
Dr Kevin Everett	Chairman, Sir John Cass's Foundation
Dr Clifford Joseph	Barrister at Law
Mr Neil Meadows	Managing Director, Laurentia Funds Ltd
Dame Mary Richardson	Former CEO HSBC Global Education Trust
Dr Nicholas Tate (Vice Chairman)	Director General International School Geneva
Sir Cyril Taylor (Chancellor)	Chairman, American Institute for Foreign Study, Inc.
Lord Alan Watson	Chairman, CTN Communications (appointed 04 December 2012)
Mr Peter Williams	Education Consultant

#### Other Trustees

Mr Sami Sulieman	Chairman, Elite RMC, Abu Dhabi (resigned 12 December 2012)
Mr Vijay Tirathrai	Managing Director, Kunal Ventures, Kuala Lumpur (resigned 13 December 2012)

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

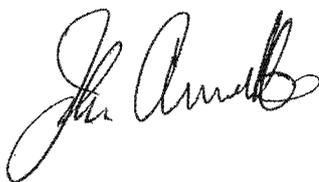
The Trustees who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP as auditor will be put to the members at the annual general meeting.

### CONNECTED CHARITY

The Richmond Foundation (Queen's Road, Richmond, Surrey) is a connected charity of the University, whose principal activity is to further the education of the students of the University by way of donations.



Signed on behalf of the Trustees on

29/11/2013

# Richmond, the American International University in London, Inc

## TRUSTEES' RESPONSIBILITIES

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### **Responsibilities of the Trustees**

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 University and of the surplus or deficit of the University for that period. In preparing those financial statements, the Trustees are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University 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 University and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHMOND, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

We have audited the financial statements on pages 8 to 21. 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 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 company's members those matters we are required to state to them in an auditor's 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 company and the 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 more fully explained in the Trustees' Responsibilities Statement set out on page 6, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB's) Ethical Standards for Auditors.

## Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its incoming resources and outgoing 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.

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

In our opinion the information given in the Trustees' 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 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

 31/02/2013

DAVID JOHN FENTON  
Senior Statutory Auditor  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

Richmond, the American International University in London, Inc  
 STATEMENT OF FINANCIAL ACTIVITIES  
 for the year ended 30 June 2013

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
<b>INCOME AND EXPENDITURE</b>					
<b>INCOMING RESOURCES</b>					
Gross fees		20,066,122	-	20,066,122	19,863,867
Less: scholarships awarded		(1,400,984)	(117,479)	(1,518,463)	(1,631,179)
Net fees		18,665,138	(117,479)	18,547,659	18,232,688
Donations	1	512,266	209,875	722,141	1,021,949
Investment income		2,967	0	2,967	3,254
Exchange gain/(loss)		8,583	0	8,583	(7,388)
<b>TOTAL INCOMING RESOURCES</b>		<b>19,188,954</b>	<b>92,396</b>	<b>19,281,350</b>	<b>19,250,503</b>
<b>RESOURCES EXPENDED</b>					
Direct charitable expenditure:					
Provision of educational services	2,3	18,774,328	229,108	19,003,436	19,128,304
Other expenditure					
Publicity		269,222	-	269,222	215,640
Management and administration of the charity	3	191,985	-	191,985	238,968
Loan interest		5,601	-	5,601	3,749
Exceptional costs	3	82,707	-	82,707	96,705
<b>TOTAL RESOURCES EXPENDED</b>		<b>19,323,843</b>	<b>229,108</b>	<b>19,552,951</b>	<b>19,683,366</b>
<b>NET OUTGOING RESOURCES FOR THE YEAR AND NET MOVEMENT IN FUNDS</b>	<b>7</b>	<b>(134,889)</b>	<b>(136,712)</b>	<b>(271,601)</b>	<b>(432,863)</b>
<b>TRANSFERS BETWEEN RESERVES</b>					
		280,748	(280,748)	-	-
<b>BALANCES BROUGHT FORWARD</b>		<b>1,709,390</b>	<b>443,083</b>	<b>2,152,473</b>	<b>2,585,336</b>
<b>BALANCES CARRIED FORWARD</b>		<b>1,855,249</b>	<b>25,623</b>	<b>1,880,872</b>	<b>2,152,473</b>

The net income and net movement in funds all derive from continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Statement of Financial Activities.

# Richmond, the American International University in London, Inc

## BALANCE SHEET

30 June 2013

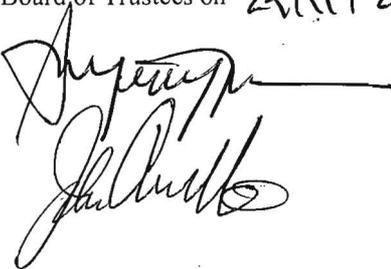
Company number FC8955

	<i>Notes</i>	2013 £	2012 £
<b>FIXED ASSETS</b>			
	6		
Leasehold improvements		2,260,178	2,668,129
Fixtures, fitting and equipment		1,103,612	1,311,406
Motor vehicles		5,608	9,557
Library books		78,262	94,875
		<u>3,447,660</u>	<u>4,083,967</u>
<b>CURRENT ASSETS</b>			
Stock		10,455	10,178
Fees receivable		98,272	136,218
Other receivables		455,827	150,260
Other receivables falling due after more than one year		497,000	397,000
Prepaid expenditure		610,795	620,879
Cash at bank and on deposit		965,267	1,088,230
Cash in hand		3,058	2,106
		<u>2,640,674</u>	<u>2,404,871</u>
<b>CURRENT LIABILITIES</b>			
Bank Loan		845,752	948,167
Creditors and accruals		657,121	747,967
Student security deposits		832,440	701,377
Fees received in advance		1,674,045	1,576,897
Deferred income		34,068	187,897
Other taxation and social security costs		164,036	174,060
		<u>4,207,462</u>	<u>4,336,365</u>
<b>NET CURRENT LIABILITIES</b>		<b>(1,566,788)</b>	<b>(1,931,494)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>1,880,872</u></b>	<b><u>2,152,473</u></b>
<b>REPRESENTED BY:</b>			
Accumulated fund	7,8		
Unrestricted		1,855,249	1,709,390
Restricted		25,623	443,083
		<u>1,880,872</u>	<u>2,152,473</u>

Approved and authorised for issue by the Board of Trustees on 29/11/2013

Trustee

Trustee



Richmond, the American International University in London, Inc  
 CASH FLOW STATEMENT  
 for the year ended 30 June 2013

	<i>Notes</i>	2013 £	2012 £
Cash flow from operating activities	9a	332,823	694,939
Capital expenditure and financial investment	9b	(352,419)	(1,424,658)
CASH OUTFLOW BEFORE FINANCING		<u>(19,596)</u>	<u>(729,719)</u>
Cash outflow from financing activities	9c	(102,415)	948,167
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u><u>(122,011)</u></u>	<u><u>218,448</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2013 £	2012 £
(Decrease)/Increase in cash in the year	(122,011)	218,448
Decrease/(Increase) in debt financing	102,415	(948,167)
Net funds brought forward	142,169	871,888
Net funds carried forward	<u><u>122,573</u></u>	<u><u>142,169</u></u>

ANALYSIS OF NET FUNDS

	2012 £	Cash flows £	2013 £
Cash in hand and at bank	1,090,336	(122,011)	968,325
Debt due within 1 year	(948,167)	102,415	(845,752)
Total	<u><u>142,169</u></u>	<u><u>(19,596)</u></u>	<u><u>122,573</u></u>

# Richmond, the American International University in London, Inc

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the United Kingdom Companies Act 2006. The trustees have adopted an alternative form of presentation to that prescribed in section 396 of the Companies Act 2006 as in their opinion this is necessary in order to present a true and fair view of the University's affairs.

### GOING CONCERN

Forecasts have been prepared covering a period greater than 12 months from the date of approval of these financial statements which show that the company can continue to operate within the facilities currently available.

Given the loss for the 2013 the trustees have reviewed the budget and associated cashflow and are satisfied that the University will be able to operate within its banking facilities. These facilities were renewed in October 2011 for five years. Further comfort is available as the budget does not require the University to call on the £500,000 p.a. guarantee from AIFS Inc. The accounts have therefore been prepared on the going concern basis.

### FEES RECEIVABLE

Fees receivable from students are apportioned on a time basis.

### DONATIONS

Donations are included in full in the income and expenditure account as soon as pledged.

### DIRECT CHARITABLE EXPENDITURE

Direct charitable expenses comprise all expenditure directly relating to the objects of the University which are the provision of educational services.

### OTHER EXPENDITURE

Other expenditure comprises publicity costs expended to broaden enrolment and raise funds and expenditure on the management and administration of the University.

Expenditure other than on assets which are capitalised is included in the income and expenditure account on the accruals basis.

### TANGIBLE FIXED ASSETS

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, over the expected useful life as follows:

Roof	-	over 50 years
Leasehold improvements	-	12½% straight line
Equipment	-	20% straight line
Fixtures and fittings	-	12½% straight line
Motor vehicles	-	25% straight line
Library books	-	20% straight line

Soft furnishings, linen and bedding are not capitalised, the full cost being written off in the period of acquisition.

### STOCK

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

# Richmond, the American International University in London, Inc

## ACCOUNTING POLICIES

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### CONTRIBUTION TO PENSIONS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

### RESTRICTED FUNDS

Restricted funds comprise monies where a restriction has been placed on their use by a donor. These are separately accounted for as shown in note 8.

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate purchased at the start of the year. All differences are taken to the statement of financial activities.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to statement of financial activities in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to statement of financial activities on a straight line basis over the lease term.

Richmond, the American International University in London, Inc  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2013

1	DONATIONS	2013	2012
		£	£
	Donations are made up as follows:		
	Unrestricted	512,266	753,303
	Restricted	209,875	268,646
		<u>722,141</u>	<u>1,021,949</u>

Donations include amounts received from The Richmond Foundation, a registered British charity set up for the support of facilities, equipment and educational programmes to the University.

At 30 June 2013, The Richmond Foundation's audited accounts showed an accumulated surplus of £19,271 (2012: £37,764).

Certain donations received were made for the following restricted purposes.

		2013	2012
		£	£
	General scholarship	100,625	118,750
	Educational projects	100,000	100,000
	Alumni walkway	-	275
	Alumni development & events	6,250	32,969
	Career Services	-	11,781
	Market survey	3,000	3,000
	New President recruitment costs	-	1,871
		<u>209,875</u>	<u>268,646</u>

2	DIRECT CHARITABLE EXPENDITURE	2013	2012
		£	£

	Provision of educational services	19,003,436	19,128,304
		<u>19,003,436</u>	<u>19,128,304</u>

3	RESOURCES EXPENDED	2013	2012
		£	£

	Resources expended include:		
	Services provided by the company's auditor:		
	- Fees payable for the audit	34,650	32,075
	- Fees payable for other services	7,577	7,362
	Operating lease rentals – land and buildings	1,416,146	1,450,562
	Loss on disposal of fixed assets	-	6,835
	Exceptional costs	82,707	96,705
		<u>1,521,080</u>	<u>1,593,539</u>

Exceptional costs relate to severance costs for senior staff

Richmond, the American International University in London, Inc  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2013

4	EMPLOYEES AND TRUSTEES	2013 £	2012 £
	Staff costs including executive trustees during the year amounted to:		
	Wages and salaries	5,246,067	5,145,006
	Social security costs	487,406	532,989
	Other pension costs	472,001	503,595
		6,205,474	6,181,590
		2013	2012
		No.	No.
	The average monthly number of employees during the year was:	211	239
	Trustees emoluments:	£	£
	Remuneration	150,000	137,500
	Contributions to pension schemes	24,000	22,000
		174,000	159,500
		2013	2012
		No.	No.
	Defined benefit scheme	1	1

The only trustee paid is the Chief Executive. These emoluments all relate to the highest paid trustee.

None of the non-executive trustees received any remuneration in respect of their services.

The number of trustees to whom retirement benefits are accruing in respect of qualifying services to the company is as follows:

	2013	2012
	No.	No.
Defined benefit scheme	1	1

Expenses reimbursed to trustees during the year in respect of travelling and subsistence costs amounted to £Nil (2013: £1,243).

5 TAXATION

It has been agreed with HM Revenue and Customs that the University is not liable for corporation tax.

Richmond, the American International University in London, Inc  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2013

6	TANGIBLE FIXED ASSETS	<i>Leasehold improvements</i> £	<i>Fixtures, fittings &amp; equipment</i> £	<i>Motor vehicles</i> £	<i>Library books</i> £	<i>Total</i> £
	Cost					
	1 July 2012	8,340,819	5,207,642	55,342	512,538	14,116,341
	Additions	107,779	220,889	-	23,751	352,419
	Disposals	(1,591,160)	(793,527)	-	(94,144)	(2,478,831)
	30 June 2013	<u>6,857,438</u>	<u>4,635,004</u>	<u>55,342</u>	<u>442,145</u>	<u>11,989,929</u>
	Depreciation					
	1 July 2012	5,672,690	3,896,236	45,785	417,663	10,032,374
	Charged in the year	515,730	428,683	3,949	40,364	988,726
	Disposals	(1,591,160)	(793,527)	-	(94,144)	(2,478,831)
	30 June 2013	<u>4,597,260</u>	<u>3,531,392</u>	<u>49,734</u>	<u>363,883</u>	<u>8,542,269</u>
	Net book value					
	30 June 2013	<u>2,260,178</u>	<u>1,103,612</u>	<u>5,608</u>	<u>78,262</u>	<u>3,447,660</u>
	30 June 2012	<u>2,668,129</u>	<u>1,311,406</u>	<u>9,557</u>	<u>94,875</u>	<u>4,083,967</u>

The net book value at 30 June 2013 and 2012 represents fixed assets used for direct educational purposes only.

7	RESERVES AND RECONCILIATION OF MOVEMENT IN FUNDS	<i>Total funds</i> £
	Opening funds	2,152,473
	Net outgoing resources	(271,601)
	Closing funds	<u>1,880,872</u>

Richmond, the American International University in London, Inc  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2013

8	RESTRICTED FUNDS	<i>At 1 July 2012 £</i>	<i>Transfers to unrestricted reserves £</i>	<i>Incoming resources £</i>	<i>Outgoing resources £</i>	<i>At 30 June 2013 £</i>
	General scholarships	-		100,625	(100,625)	-
	Presidential scholarship	15,000		-	(15,000)	-
	Scholarships – Zilla Cahn	1,854		-	(1,854)	-
	Educational projects	100,000		100,000	(200,000)	-
	Gym development	31,922	(31,922)	-	-	-
	Poetry prize	357		-	-	357
	Roof Project	248,826	(248,826)	-	-	-
	Alumni walkway	5,705		-	-	5,705
	Alumni development & events	23,281		6,250	(23,281)	6,250
	Career services	11,781		-	(2,827)	8,954
	Chess club	356		-	-	356
	Market survey	-		3,000	(3,000)	-
	Richmond International Action Network	4,001		-	-	4,001
		<u>443,083</u>	<u>(280,748)</u>	<u>209,875</u>	<u>(346,587)</u>	<u>25,623</u>

The transfer of reserves from restricted to unrestricted for the roof project was a result of the donor unrestricting the donation. The roof project was completed and paid for in 2004 however the restricted reserve has previously only reduced by the amount of depreciation charged during the year.

The Gym development reserve has also been unrestricted due to payments that were actually made during 2000, but were not previously reflected in movements on the restricted reserve analysis.

	Fixed assets £	Net Current assets/ (liabilities) £	Total £
Analysis of net assets between funds			
Restricted funds			
- Poetry Prize	-	357	357
- Alumni walkway	-	5,705	5,705
- Alumni development & events	-	6,250	6,250
- Career services	-	8,954	8,954
- Chess club	-	356	356
- Richmond International Action Network	-	4,001	4,001
Unrestricted funds	3,447,660	(1,592,411)	1,855,249
Closing funds	<u>3,447,660</u>	<u>(1,566,788)</u>	<u>1,880,872</u>

The above analysis represents the balance sheet restated across the individual funds.

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9	CASH FLOWS	2013 £	2012 £
a	Reconciliation of net incoming resources to net cash inflow from operating activities:		
	Net outgoing resources	(271,601)	(432,863)
	Depreciation	988,726	976,019
	Loss on disposal of fixed assets	-	6,835
	Increase in debtors	(357,537)	(435,391)
	(Decrease)/increase in creditors	(26,488)	578,969
	(Decrease)/increase in stock	(277)	1,370
	Net cash inflow from operating activities	<u>332,823</u>	<u>694,939</u>
		2013 £	2012 £
b	Analysis of cash flows for headings netted in the cash flow		
	<b>Capital expenditure and financial investment</b>		
	Purchase of tangible fixed assets	(352,419)	(1,438,808)
	Proceeds of disposed tangible fixed assets	-	14,150
	Net cash outflow for capital expenditure and financial investment	<u>(352,419)</u>	<u>(1,424,658)</u>
		2013 £	2012 £
c	Analysis of cash flows from financing activities		
	Bank loan received	845,752	948,167
	Bank loan repaid	(948,167)	-
	Net cash (outflow)/inflow for financing activities	<u>(102,415)</u>	<u>948,167</u>

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10 PENSION COSTS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

*New Entrants*

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

*Normal pension age*

The Normal pension age was increased for future service and new entrants, to age 65.

*Flexible Retirement*

Flexible retirement options were introduced.

*Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

*Cost sharing*

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

*Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments

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producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustees are mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustees are making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together -- in an integrated form -- the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the institution had 57 active members participating in the scheme.

The total pension cost for the institution was £472,001 (2012: £503,595). This includes £35,000 (2012: £35,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution on the USS pension scheme was 16% of pensionable salaries.

11 FOREIGN CURRENCY RISK

The University has bank accounts denominated in US dollars the value of which in sterling is £218,973 (2012: £277,397).

12 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£	£
Land and buildings		
expiring in less than one year	308,688	-
expiring in the second to fifth year	2,316,229	2,063,123
expiring after five years	574,000	1,121,252
Equipment		
expiring in the second to fifth year	2,400	2,400
	<u>3,201,317</u>	<u>3,186,775</u>

13 OTHER COMMITMENTS

The University is committed to pay £Nil (2012: £Nil) to the American Institute For Foreign Study Inc. a connected party, for the interest payable on the library loan.

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14 CAPITAL COMMITMENTS

At 30 June 2013, the University had committed £Nil (2012: £55,445) towards capital expenditure.

15 GUARANTEES

Under the terms of an agreement existing between the University and The American Institute for Foreign Study Inc., the American Institute for Foreign Study Inc. is committed to providing up to £500,000 in any period of twelve months should it be necessary to enable the University to carry on its operations. This was not utilised during the year ended 30 June 2013. The American Institute for Foreign Study also guarantees the University's \$2.5m revolving credit facility with JP Morgan Chase Bank, N.A.

16 RELATED PARTY TRANSACTIONS

The University had the following transactions with the American Institute For Foreign Study, Inc. (AIFS) a connected party in the year

	2013	2012
	£	£
Amounts paid to AIFS	5,250,134	5,301,857
Amounts received from AIFS	5,611,485	5,983,392

Included within other receivables is £392,967 owed by AIFS to the university (2012: £89,272 owed by AIFS to the university). Two of the Trustees of Richmond University are officers of AIFS.

The Richmond Foundation is a connected UK registered charity of the University. The Foundation makes periodic donations to the University. During the University year these donations amounted to £301,000 (2012: £500,000). The University paid £267,500 (2012: £260,000) rent to The Foundation during the year. Included within debtors is £400,000 owed to the University (2012: £300,000 owed by the University).

Sir Cyril Taylor, a trustee and Chairman of AIFS Inc made a personal donation of £62,500 to the university.

With the exception of WJ Scott (resigned 30<sup>th</sup> November 2012) and K Lippoldt all the trustees of The Richmond Foundation are trustees of the University.

Richmond College Services Limited which is controlled by The Richmond Foundation provides educational support services for the University. £Nil balance was owing to the University at the end of the year (2012: £Nil owed by the University).

17 COUNTRY OF INCORPORATION

The University is incorporated in the United States of America in the State of Delaware.