

Richmond,
The American International University
in London, Inc

REPORT AND FINANCIAL STATEMENTS

30 June 2014

Company No. FC8955

Richmond, the American International University in London, Inc
FINANCIAL STATEMENTS
for the year ended 30 June 2014

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

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' REPORT

The Trustees submit their report and audited financial statements for the year ended 30 June 2014.

TRUSTEES

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

American Trustees

Dr Mariam Assefa	Executive Director, World Education Services (resigned 16 th May 2014)
Dr Vivian Day	Alumna (resigned 16 th May 2014)
Mr A. Michael Hoffman (Chairman)	Director, Cambridge Education Group
Mr George King	Vice Chairman, Connectivity Solutions International (resigned 30 th October 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, American Institute for Foreign Study Inc
Dr Kevin Everett (Treasurer)	Chairman, Sir John Cass's Foundation
Dr Clifford Joseph	Barrister at Law
Mr Neil Meadows	Managing Director, Meadows Capital Management LLP
Dame Mary Richardson	Former CEO HSBC Global Education Trust
Dr Nicholas Tate (Vice Chairman)	Chairman, International Education Systems
Sir Cyril Taylor (Chancellor)	Chairman, American Institute for Foreign Study Inc
Lord Alan Watson	Chairman, CTN Communications (resigned 25 th October 2013)
Mr Peter Williams	Education Consultant

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

15/10/2014

Richmond, the American International University in London, Inc

STRATEGIC REPORT

PRINCIPAL 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).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Fall 2013 intake saw the arrival of 124 UK/EU students, 164 International students, 25 students on its football programme based in Leeds, 37 postgraduate students and 22 visiting students. A total of 581 students also went through its study abroad programmes in London, Florence & Rome over the course of the year. These are significant increases on the new student numbers recorded over the last few years.

Income net of scholarships increased by 2.5% (2013: increased by 2%) during the year ended 30 June 2014. The year ended with a surplus of £147,536 (2013: loss £271,601). This was a substantial improvement on the previous year and continues the improvement in results after three years of deficit.

Although the university is not yet a U.K. charity, the university is aware of U.K. legislation in this area. Trustees have noted the implementation of latest provisions of the Charities Act 2006 and guidance issued by the Commission. The University awarded 8.8% (2013 – 8%) of its total income as scholarships to its students. Work continues 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 students ability to access local resources is complex.

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

The University hedged its dollar income collections for 2013–14. The rate for 2014 – 2015 is \$1.55 = £1 (2013 -2014: \$1.59 = £1).

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. During the year a review was undertaken concerning the sale by AIB of a derivative based mortgage to the Richmond Foundation in 2007. The review found that the mortgage had been mis-sold to the Foundation and compensation awarded of £934,270. As a result of this, the 1% penalty charge due to the breach of the financial covenant in 2011-2012 was dropped from July 2014. The mortgage is now on a variable rate of 0.95% above the Bank of England base rate.

Accumulated funds at 30 June 2014 were £2,028,408 (2013: £1,880,872).

Richmond, the American International University in London, Inc

STRATEGIC REPORT

The recent revision of the strategic plan, 2012-2017 provided Richmond, the American International University in London, with the opportunity to reflect on its strengths and weaknesses in order to create a vision for the future and we have renewed our vision for the university “to be an international university offering high quality undergraduate and postgraduate education, research excellence and public engagement”. This is a commitment to achieve excellence as an international university in London, which is accredited in the USA and the UK with international faculty, staff and students. We take very seriously our commitment to improve the university’s learning and teaching, research, student experience, preparation for graduate employability and engagement with local, national and international communities. In order to ensure that we achieve our goals we are improving our ability to ensure vigorous institutional assessment and quality enhancement. We will also need to increase student enrollment and to increase external funding to have the financial resources to improve the learning and teaching, student experience and estates in order to achieve our strategic goals.

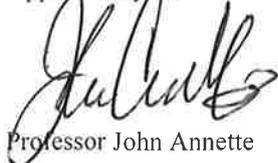
Richmond will continue to recruit both American and international students and also plans to significantly increase the number of UK students. As a result of recent changes to the government funding of English higher education we find ourselves in a more regulatory environment, so our decision to seek UK ‘Taught Degree Awarding Powers’ or TDAP has proved to be an important decision. We have reviewed our fees and the decision to charge £7,700 (to be increased to £7,900) is making Richmond much more competitive in terms of price and we believe that our distinctive position in the higher education landscape will make Richmond much more attractive to English students.

There is an increasingly competitive higher education recruitment market for international students across the world and we recognize that we will need to substantially improve our marketing and recruitment strategy as well as to continue to improve the quality of the university to be competitive. We believe that this strategic planning process will enable us to be successful in the future.

Our key goals for the period leading up to 2017-2018 are: 1. to increase FTE student enrollment over five years from all sources, including undergraduate and postgraduate degree students, study abroad and increased retention for a total of 2,000 students. The target number of 2,000 includes semester study abroad students; 2. to invest in new academic staff to increase academic offerings and to improve the organisational structure of the university; 3. to develop a ‘Learning and Teaching Strategy’ to enhance the students’ learning experience.; 4. to develop an enhanced ‘Student Experience’ to improve retention and support graduate employability, by achieving an 85% satisfaction rate on standardised surveys. 5. to improve the research profile of the university through developing a ‘Research Strategy’ for the University. 6. to improve Quality Assurance through Comprehensive Assessment, Institutional Research and Quality Enhancement in order to obtain direct UK Degree Awarding Powers.; 7. to invest in and improve alumni relations and fund raising for the University to support financial sustainability through sustained giving and funding of projects.; 8. to enhance the Learning Environment of the University through investment in information technology and e-learning resources.; 9. to improve the Physical Environment of the University by upgrading existing buildings as funding permits and to review usage and maintenance of all University facilities with a view to increasing better utilisation as well as improving facilities.; 10. to build cooperative agreements with the local communities and colleges in Richmond and Kensington as well as creating new international partnerships.

The revision to the ‘Strategic Plan, 2012-2017’ approved by Trustees in May 2014 provided evidence of substantial achievement towards meeting our key goals for the University.

Approved by the Trustees and signed on their behalf by:



Professor John Annette

15/10/2014

Richmond, the American International University in London, Inc

TRUSTEES' RESPONSIBILITIES

Responsibilities of the Trustees

The Trustees are responsible for preparing the Strategic Report and the Trustees 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.

Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- c. state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 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 7 to 20. 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 5, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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 2014 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 Strategic Report and 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



22/10/2014

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 2014

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2014 £	Total 2013 £
INCOME AND EXPENDITURE					
INCOMING RESOURCES					
Gross fees		20,924,928	-	20,924,928	20,066,122
Less: scholarships awarded		(1,746,208)	(100,005)	(1,846,213)	(1,518,463)
Net fees		19,178,720	(100,005)	19,078,715	18,547,659
Donations	1	390,791	266,043	656,834	722,141
Investment income		3,256	-	3,256	2,967
Exchange gain		24,617	-	24,617	8,583
TOTAL INCOMING RESOURCES		19,597,384	166,038	19,763,422	19,281,350
RESOURCES EXPENDED					
Direct charitable expenditure:					
Provision of educational services	2,3	18,838,690	106,347	18,945,037	19,003,436
Other expenditure					
Publicity		452,059	-	452,059	269,222
Management and administration of the charity	3	212,751	-	212,751	191,985
Loan interest		6,039	-	6,039	5,601
Exceptional costs	3	-	-	-	82,707
TOTAL RESOURCES EXPENDED		19,509,539	106,347	19,615,886	19,552,951
NET INCOMING/ (OUTGOING) RESOURCES FOR THE YEAR AND NET MOVEMENT IN FUNDS	7	87,845	59,691	147,536	(271,601)
BALANCES BROUGHT FORWARD		1,855,249	25,623	1,880,872	2,152,473
BALANCES CARRIED FORWARD		1,943,094	85,314	2,028,408	1,880,872

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 2014

Company number FC8955

	<i>Notes</i>	2014 £	2013 £
FIXED ASSETS			
	6		
Leasehold improvements		2,521,894	2,260,178
Fixtures, fitting and equipment		913,042	1,103,612
Motor vehicles		403	5,608
Library books		77,171	78,262
		<u>3,512,510</u>	<u>3,447,660</u>
CURRENT ASSETS			
Stock		9,933	10,455
Fees receivable		231,331	98,272
Other receivables		201,351	455,827
Other receivables falling due after more than one year		597,000	497,000
Prepaid expenditure		728,334	610,795
Cash at bank and on deposit		911,649	965,267
Cash in hand		3,313	3,058
		<u>2,682,911</u>	<u>2,640,674</u>
CURRENT LIABILITIES			
Bank Loan		887,837	845,752
Creditors and accruals		855,564	657,121
Student security deposits		801,644	832,440
Fees received in advance		1,397,367	1,674,045
Deferred income		53,430	34,068
Other taxation and social security costs		171,171	164,036
		<u>4,167,013</u>	<u>4,207,462</u>
NET CURRENT LIABILITIES		(1,484,102)	(1,566,788)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,028,408</u>	<u>1,880,872</u>
REPRESENTED BY:			
Accumulated fund	7,8		
Unrestricted		1,943,094	1,855,249
Restricted		85,314	25,623
		<u>2,028,408</u>	<u>1,880,872</u>

Approved and authorised for issue by the Board of Trustees on 15/10/2014

 Trustee
 Trustee

Richmond, the American International University in London, Inc
 CASH FLOW STATEMENT
 for the year ended 30 June 2014

	<i>Notes</i>	2014 £	2013 £
Cash flow from operating activities	9a	713,865	332,823
Capital expenditure and financial investment	9b	(809,313)	(352,419)
CASH OUTFLOW BEFORE FINANCING		<u>(95,448)</u>	<u>(19,596)</u>
Cash inflow/(outflow) from financing activities	9c	42,085	(102,415)
DECREASE IN CASH IN THE YEAR		<u>(53,363)</u>	<u>(122,011)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £	2013 £
Decrease in cash in the year	(53,363)	(122,011)
(Increase)/Decrease in debt financing	(42,085)	102,415
Net funds brought forward	122,573	142,169
Net funds carried forward	<u>27,125</u>	<u>122,573</u>

ANALYSIS OF NET FUNDS

	2013 £	Cash flows £	2014 £
Cash in hand and at bank	968,325	(53,363)	914,962
Debt due within 1 year	(845,752)	(42,085)	(887,837)
Total	<u>122,573</u>	<u>(95,448)</u>	<u>27,125</u>

Richmond, the American International University in London, Inc

ACCOUNTING POLICIES

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.

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 which is referred to in note 14 to these accounts. 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	-	10% straight line
Equipment	-	20% straight line
Fixtures and fittings	-	12½% straight line
Motor vehicles	-	25% straight line
Library books	-	20% straight line

The depreciation rate for leasehold improvements was decreased from 12.5% to 10% during the year to reflect a more realistic economic life of building works.

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

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 2014

1	DONATIONS	2014	2013
		£	£
	Donations are made up as follows:		
	Unrestricted	390,791	512,266
	Restricted	266,043	209,875
		<u>656,834</u>	<u>722,141</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 2014, The Richmond Foundation's audited accounts showed an accumulated surplus of £975,627 (2013: £19,273).

Certain donations received were made for the following restricted purposes.

		2014	2013
		£	£
	General scholarship	100,005	100,625
	Educational projects	100,000	100,000
	Alumni development & events	34,591	6,250
	Career Services	31,447	-
	Market survey	-	3,000
		<u>266,043</u>	<u>209,875</u>

2	DIRECT CHARITABLE EXPENDITURE	2014	2013
		£	£
	Provision of educational services	18,945,037	19,003,436
		<u>18,945,037</u>	<u>19,003,436</u>

3	RESOURCES EXPENDED	2014	2013
		£	£
	Resources expended include:		
	Services provided by the company's auditor:		
	- Fees payable for the audit – current year	39,400	34,650
	- Fees payable for the audit – prior year	7,290	-
	- Fees payable for other services	7,154	7,577
	Operating lease rentals – land and buildings	1,598,314	1,416,146
	Exceptional costs	-	82,707
		<u>1,644,158</u>	<u>1,541,080</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 2014

4	EMPLOYEES AND TRUSTEES	2014 £	2013 £
	Staff costs including executive trustees during the year amounted to:		
	Wages and salaries	5,462,810	5,246,067
	Social security costs	515,872	487,406
	Other pension costs	497,239	472,001
		<u>6,475,921</u>	<u>6,205,474</u>
		2014 No.	2013 No.
	The average monthly number of employees during the year was:	<u>211</u>	<u>211</u>
	Trustees emoluments:	£	£
	Remuneration	164,583	150,000
	Contributions to pension schemes	26,333	24,000
		<u>190,916</u>	<u>174,000</u>

The only trustee paid is the president. 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:

	2014 No.	2013 No.
Defined benefit scheme	<u>1</u>	<u>1</u>

Expenses reimbursed to trustees during the year in respect of travelling and subsistence costs amounted to £Nil (2014: £Nil).

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 2014

6	TANGIBLE FIXED ASSETS	<i>Leasehold improvements</i> £	<i>Fixtures, fittings & equipment</i> £	<i>Motor vehicles</i> £	<i>Library books</i> £	<i>Total</i> £
	Cost					
	1 July 2013	6,857,438	4,635,004	55,342	442,145	11,989,929
	Additions	587,517	189,234	-	32,842	809,593
	Disposals	(683,721)	(372,917)	(22,523)	(24,790)	(1,103,951)
	30 June 2014	<u>6,761,234</u>	<u>4,451,321</u>	<u>32,819</u>	<u>450,197</u>	<u>11,695,571</u>
	Depreciation					
	1 July 2013	4,597,260	3,531,392	49,734	363,883	8,542,269
	Charged in the year	325,801	379,804	5,205	33,933	744,743
	Disposals	(683,721)	(372,917)	(22,523)	(24,790)	(1,103,951)
	30 June 2014	<u>4,239,340</u>	<u>3,538,279</u>	<u>32,416</u>	<u>373,026</u>	<u>8,183,061</u>
	Net book value 30 June 2014	<u>2,521,894</u>	<u>913,042</u>	<u>403</u>	<u>77,171</u>	<u>3,512,510</u>
	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>

The net book value at 30 June 2014 and 2013 represents fixed assets used for direct educational purposes only.

7	RESERVES AND RECONCILIATION OF MOVEMENT IN FUNDS	<i>Total funds</i> £
	Opening funds	1,880,872
	Net incoming resources	147,536
	Closing funds	<u>2,028,408</u>

Richmond, the American International University in London, Inc
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2014

8	RESTRICTED FUNDS	<i>At 1 July 2013 £</i>	<i>Incoming resources £</i>	<i>Outgoing resources £</i>	<i>At 30 June 2014 £</i>
	General scholarships	-	100,005	(100,005)	-
	Educational projects	-	100,000	(100,000)	-
	Poetry prize	357	-	-	357
	Alumni walkway	5,705	-	(97)	5,608
	Alumni development & events	6,250	34,591	(6,250)	34,591
	Career services	8,954	31,447	-	40,401
	Chess club	356	-	-	356
	Richmond International Action Network	4,001	-	-	4,001
		<u>25,623</u>	<u>266,043</u>	<u>(206,352)</u>	<u>85,314</u>

	Fixed assets £	Net Current assets/ (liabilities) £	Total £
Analysis of net assets between funds			
Restricted funds			
- Alumni development & events	-	34,591	34,591
- Alumni walkway	-	5,608	5,608
- Career services	-	40,401	40,401
- Chess club	-	356	356
- Poetry Prize	-	357	357
- Richmond International Action Network	-	4,001	4,001
Unrestricted funds	3,512,510	(1,569,416)	1,943,094
Closing funds	<u>3,512,510</u>	<u>(1,484,102)</u>	<u>2,028,408</u>

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

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9	CASH FLOWS	2014 £	2013 £
a	Reconciliation of net incoming resources to net cash inflow from operating activities:		
	Net incoming/(outgoing) resources	147,536	(271,601)
	Depreciation	744,743	988,726
	Increase in debtors	(96,122)	(357,537)
	Decrease in creditors	(82,534)	(26,488)
	Decrease/(increase) in stock	522	(277)
	Profit on disposal of fixed assets	(280)	-
	Net cash inflow from operating activities	<u>713,865</u>	<u>332,823</u>
		2014 £	2013 £
b	Analysis of cash flows for headings netted in the cash flow		
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(809,593)	(352,419)
	Proceeds from disposal of fixed assets	280	-
	Net cash outflow for capital expenditure and financial investment	<u>(809,313)</u>	<u>(352,419)</u>
		2014 £	2013 £
c	Analysis of cash flows from financing activities		
	Bank loan received	887,837	845,752
	Bank loan repaid	(845,752)	(948,167)
	Net cash inflow/(outflow) for financing activities	<u>42,085</u>	<u>(102,415)</u>
d	Included within cash balances is an amount of £271,107 which is held as security over a letter of credit which expires on 31 December 2014.		

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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 £497,239 (2013: £472,001). This includes £44,520 (2013: £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 £380,792 (2013: £218,973).

12 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014	2013
	£	£
Land and buildings		
expiring in less than one year	126,464	308,688
expiring in the second to fifth year	2,433,244	2,316,229
expiring after five years	700,000	574,000
Equipment		
expiring in the second to fifth year	22,356	2,400
	<u>3,282,064</u>	<u>3,201,317</u>

13 CAPITAL COMMITMENTS

At 30 June 2014, the University had committed £286,951 (2013: £Nil) towards capital expenditure.

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14 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 2014. The American Institute for Foreign Study also guarantees the University's \$2.5m revolving credit facility with JP Morgan Chase Bank, N.A.

15 RELATED PARTY TRANSACTIONS

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

	2014	2013
	£	£
Amounts paid to AIFS	4,579,402	5,250,134
Amounts received from AIFS	5,333,265	5,611,485

Included within other receivables is £15,285 owed by AIFS to the university (2013: £392,967 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 £300,053 (2013: £301,000). The University paid £290,000 (2013: £267,500) rent to The Foundation during the year. Included within debtors is £500,000 owed to the University (2013: £400,000 owed to the University).

With the exception of 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 (2013: £Nil owed to the University).

16 COUNTRY OF INCORPORATION

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