

Richmond The American International University in London, Inc
REPORT AND FINANCIAL STATEMENTS - 30 June 2019

Richmond, the American International University in London, Inc.

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Administrative and Legal Information
For the year ended 30 June 2019

Address

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London. TW10 6JP

Bankers

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Advisors

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Eversheds Sutherland (International) LLP
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External Auditor

Peters Elworthy & Moore
Chartered Accountants
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Internal Auditor

KCG
Kingston University
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Registered Office

The Corporation Trust Company Corporation Trust Centre
1209 Orange Street Wilmington Delaware 19801 USA
(US Company Registration No 722450)
(UK Company Registration No FC8955)

Richmond The American International University in London, Inc
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LIST OF TRUSTEES FOR 2018/19

The Trustees of the University who served during the year and up to the date of approval of these financial statements were:

Richard Resch (Chair) (resigned 26 March 2020)
Professor Roger King (Chair) (appointed 26 March 2020)
Dame Mary Richardson (Vice Chair) (resigned 26 March 2020)
Ms Alison Allden OBE (Vice Chair) (appointed 26 March 2020)
Mr Graham Ross Russell (resigned 26 March 2020)
Dr Clifford D Joseph (Secretary) (resigned 5 November 2019)
Professor Lawrence Abeln (appointed 1 August 2018; resigned 11 December 2019)
Mr Mark Allen (Treasurer) (resigned 26 March 2020)
Mr Mike Berry (appointed 1 July 2019; resigned 1 December 2019)
Mr Nicholas Guillermo (appointed 1 July 2019; resigned 26 March 2020)
Professor William Durden (resigned 26 March 2020)
Ms Ailsa Brookes (resigned 1 October 2019)
Professor John Annette (resigned 1 August 2018)
Mr Stephen Fenton (resigned 26 March 2020)
Mr Joel David Gallagher (resigned 26 March 2020)
Mr Christopher Leiter (resigned 26 March 2020)
Ms Wendy Miller (resigned 26 March 2020)
Dr Ana Oliveira (appointed 26 March 2020)
Chelsea Pompadour (appointed 1 July 2019, resigned 26 March 2020)
Dr Arthur Naylor (resigned 23 September 2019)
Mr Stephen Rasch (appointed 1 July 2019; resigned 1 December 2019)
Dr Paul Temple (resigned 26 March 2020)
Dr Phil Deans (appointed 26 March 2020)
Professor Huang Futao (appointed 26 March 2020)
Ms Janet Ilieva (appointed 26 March 2020)
Ms Elizabeth Robertson (appointed 26 March 2020)
Mr Ian Leroni (appointed 15 May 2020)

Elected and prospective Independent and co-opted Trustee members of the Board of Trustees will be considered for appointment by the Board upon review and recommendation by the Governance Committee, in accordance with Article One and Article Two of the Richmond The American International University in London, Inc (“RAIUL”) Constitution.

The Board of Trustees approved and adopted a revised Constitution and By-Laws in May 2019, to take effect from 1 July 2019. These were drafted with legal advice, with a view to compliance with the new regulatory requirements of registration with the Office for Students, and on-going compliance with the standards of accreditation of the Middle States Commission on Higher Education. These are expected to provide improved governance and include a new Conflict of Interest Policy.

Principal Activities

Richmond University (“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 is also quality assured by the UK Quality Assurance Agency.

In 2018, the University was granted Taught Degree Awarding Powers (TDAP) by the UK government, making it the first and only university with the higher education sector to award both US and UK degrees.

Richmond The American International University in London, Inc

Strategic Report

for the year ended 30 June 2019

STRATEGIC REPORT

Business Review and future developments

Although the University achieved its financial goals in the year ended 30 June 2019, it experienced a very challenging start to the financial year ending 30 June 2020, when the Cyril Taylor Charitable Foundation (CTCF) informed the University that it would make no further donations relating to the financial year 2020/21. In addition, the American Institute of Foreign Studies (AIFS) advised that it would no longer be placing students with the University for 2020/21. These two sources of income for 2020/21 were expected to be around £11.8M, and, given the materiality of this sum, the Board of Trustees instructed the management team to seek a strategic partner to provide the necessary financial support. The Board was fully aware that failure to find a partner would lead to the University having to teach out its existing students so that they may complete their studies and obtain their degree qualification. The risk of a teach-out remained until a strategic partner was found and this led to the University having to cancel the January 2020 intake of students.

In March 2020, the Board agreed to a strategic partnership with the China Education Group (CEG) who agreed to provide a line of credit of up to £10 million through a UK subsidiary company. The Board is of the opinion that the agreement with CEG removes the risk of the University having to teach out its students.

CEG is the largest listed Higher Education company in China that operates 10 schools globally teaching over 180,000 students on over 550 programmes of study. With a turnover of over £200M, CEG is a major player in Higher Education and able to provide the necessary financial injection and expertise to support the University's education provision.

Coinciding with the discussions and agreement with CEG, the Covid-19 pandemic commenced, resulting in the University having to move its educational programmes to online provision. The University's academic year is concentrated in two semesters (Autumn and Spring) rather than over three semesters in most other UK universities. Effectively, most students will have completed their studies by the end of the Spring Term. This will give the University greater flexibility in 2020/21 with the option of starting the academic year for many students in January 2021 who may then complete their courses in the 2021 Summer semester.

The University has assessed the impact of the above events and considers that the financial statements can be prepared on a going concern basis. The projections of the University's results over the next twelve months from the date the financial statements are signed include assumptions that the lockdown and other measures arising from the Covid-19 pandemic will last until January 2020 and that the University will utilise the Job Retention Scheme to furlough staff from June 2020 to October 2020.

Key Objectives and Strategic Plan

The 2014-19 Strategic Plan has concluded, and many of its key goals were achieved. In May 2019 the University and Trustees approved a new Strategic Plan for 2019-2024. The financial challenges faced by the University in 2019-2020 and the new strategic partnership with China Education Group (CEG) mean that key assumptions in the 2019-24 plan are no longer valid. The Trustees have authorized the creation of a new Strategic Plan for approval by December 2020, and an Strategy and Operations Working Group of Trustees and the executive is driving this,

The key goals for the period leading up to 2019 were:

To have increased FTE student enrolment from all sources, including undergraduate and postgraduate degree students, study abroad and increased retention by 10% over the 4 years from 2014-15. **Not Achieved.** In response to COVID-19 and the longer term ambitions arising from the CEG partnership the proposed 2021-26 Strategic Plan will have revised goals for undergraduate and postgraduate income as well as initiatives for new income streams.

To invest in academic staff and academic support to increase quantity and quality of taught provision. **Goal achieved.**

Richmond The American International University in London, Inc

Strategic Report

for the year ended 30 June 2019

To achieve a progression and projected completion rate of at least 70% by 2019, a National Student Survey (NSS) satisfaction rate of at least 85% and a Graduate Outcomes return of over 85% of students in graduate level employment within one year of graduation. **Goal achieved.**

To enhance the students' learning experience and to develop the learning environment through strategic investment in library technology and e-learning resources. **On-going.**

To raise the research profile of the University through revising the 'Research and Professional Engagement Strategy' and develop and promote research to an international standard by 2019. **Goal achieved**

To improve quality assurance through comprehensive assessment, institutional research and quality enhancement to obtain UK Taught Degree Awarding Powers and Designated Status (revised in 2018 to OFS Registration) by 2019 and to remain accredited and be in good standing with the Middle States Commission on Higher Education. **Goal achieved**

To engage with alumni relations to increase their participation in and support for development activities, and to enhance fund raising for the University to support financial sustainability through sustained giving and funding of projects. Target to raise £1m annually by 2019. **On-going**

Improve the physical environment of the University through ongoing maintenance and repair, refurbish existing buildings and to ensure optimum space utilization to meet the changing needs of students, faculty and staff. **On-going**

To build cooperative agreements with the local communities and colleges in Richmond, Kensington and other areas close to the University campuses. **On-going**

To establish strategic partnerships with international universities, with key partnerships in the USA, China, Turkey and India to provide exchange programmes for students as well as offering progression opportunities. **Achieved in some locales.**

Financial Performance 2018/19

In 2018, the University was granted Taught Degree Awarding Powers (TDAP) by the UK government, making it the first and only university with the authority to award both US and UK degrees.

The national and international higher education landscape in which Richmond is situated is undergoing profound change. Changes to UK higher education legislation, significant changes in the regulatory regime in the US, and the decision to exit the European Union all present important opportunities and challenges for the University. In addition, there is a demographic downturn in both the USA and the UK as well as increased competition for the recruitment of international students. The University responded to the increasingly competitive higher education recruitment market for domestic and international students through developing a new marketing and recruitment strategy.

Richmond University's financial statements reported an operating surplus of £111k (2018 - £1,138k). The surplus represents 0.4% of its total gross income (surplus in 2018 – 4.2%).

Both the IT and Estates departments invested significantly in projects in 2018/19. Estates projects involved refurbishment of the main building, George House and Library external works. The IT projects addressed issues relating to local data storage, resilience, stability and disaster recovery.

The total income for the university was £30.12m (2018: £27.04m). Donations increased from £4.9m to £6.8m with tuition fee income increasing from £18.2m to £18.8m due to continued enrolment.

The University hedged its dollar income collections for 2019 and achieved an average purchase rate of \$1.32 = £1 (2018: \$1.41 = £1). This was transacted through a non-contractual hedging arrangement arranged via a services agreement with The American Institute for Foreign Study.

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Strategic Report

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Expenditure levels totaled £30m (2018: £25.9m) which included £11.0m of staff costs (2018: £9m) and £18m (2018: £16m) of other operating expenses. The increase in staff costs was mainly due to the increase in the provision to fund the deficit arising in the Universities Superannuation Scheme.

The Balance Sheet shows that net assets are £1.98M (2018: £1.86M), with cash at £3.5M.

At 30 June 2019, the total reserves amounted to £1.98M (2018: £1.9M) and there was a decrease in cash of £1.0m (2018: increase of £2.9m).

In previous years the Richmond Foundation's financial statements have been consolidated in the University's accounts. However, following advice, the Board has concluded that there is now no legal basis for consolidation as more fully explained in the Statement of Accounting Policies under Basis of Preparation.

Payment of creditors

The University's policy is to pay suppliers no later than 30 days from the date the invoice was received, unless the invoice is disputed.

Key Performance Indicators

	2018-19	2017-18
Operating Surplus/ (Deficit) as a % of Gross Income	2.5%	4.2%
Gross Income (£k)	30.11 M	27.04 M
Current Ratio	1.3	1.0

Richmond was shortlisted for the 2018 Times Higher Education award for 'Outstanding Contribution in Leadership Development'.

Statement of Public Benefit

The University is an independent US non-profit educational charity and although the university is not a U.K. registered charity, the Trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, "Charities and Public Benefit". The University's Trustees ensure that the University delivers services that are valued by its students and the local community by providing services that are accessible to all through our bursary and scholarships. The University awarded 9% (2018 – 8.2%) of its total income as scholarships to its students.

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 scholarships and interest free payment plans to allow students who cannot immediately fund this gap to attend the University. The University delivers teaching and core research to a wide range of students.

The University is unique for its private institution academic standards, in its teaching approach that combines the American Liberal Arts system with the UK higher education standards.

Widening Participation

Through its widening participation aims, the University is committed to being more inclusive and accessible to the local community and to students beyond its traditional cohort. Widening participation at Richmond University is facilitated primarily through scholarships.

The University offers financial support with our US and UK Scholarships based on merit and academic achievement, and recently introduced a new Chancellor's Plus Scholarship that contributes to reduce significantly students' tuition fee debt after the completion of their degree. Our Scholarships can be combined with other UK and US funding and grant available options, that we advise our students to apply for upon meeting the entry requirements.

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Strategic Report
for the year ended 30 June 2019

Events after the reporting period

Partnership with China Education Group (CEG) and new strategic direction

In March 2020, following four months of significant financial challenge and the resignation of the President (December 2019), and then the Board of Trustees (March 2020), the University entered into a strategic partnership with China Education Group (CEG). The partnership allowed the university access to borrowing and expertise, as well enabling the university to tap markets in China and South Asia where it had struggled to recruit students. This was also an opportunity to make major changes to the institution, in particular with regard to its estates and its operational costs, Furthermore the CEG partnership allows for the development of new and varied income streams, and the new Board of Trustees have approved the creation of a new Strategic Plan by the end of 2020.

A strategic review has been initiated (July 2020) which will look at key areas for savings in operational activity across the university to address both the immediate (COVID-19) downturn in income and longstanding/structural costs in the business model. The review will include a comprehensive review of the estate, with a view to finding a more cost-effective and fit for purpose location. This will link into the new Strategic Plan 2021-2026 and be tied to new revenue generation proposals including a growth in professional programmes and short courses, new student markets in East and South Asia, developing more profitable study abroad and visiting student partnerships in the US, and the potential of developing third-party accreditation and validation as a significant income stream. It is expected that the staff cost base will remain at or close to the COVID-19 budget levels until at least 2022. It is expected that the draw down on the CEG support will be limited to c.£3m in 2021-22, with the cost savings, return to pre-COVID recruitment patterns, and new revenue streams seeing the university move back to surplus in 2022-23.

Covid-19

The Covid-19 pandemic will have a significant impact on the student fee income in financial year 2020-21 and the Trustees have agreed a budget for 2020-21 which will generate significant cost reductions, but it will still result in the University operating in deficit for 2020-21 of around £5 million. The strategic partner – China Education Group – will provide support during the next twelve months which will ensure that the deficit can be financed by an injection of up to £5million during the next twelve months. The University is also likely to receive a donation from Richmond Foundation arising from the sale of a freehold property which should be completed in the first half of 2021. This will add to the financial headroom. Further, the Trustees will place a cap on all capital expenditure to protect the cash position.

Italy

The University has study centres in Rome and Florence for study abroad students, and the impact of Covid-19 on the student income will be substantial. However, it should achieve a breakeven position in 2020-21 from these centres.

Conclusion

The notice of withdrawal of funding announced by the Cyril Taylor Charitable Foundation for 2020-21 and the decision of the American Institute of Foreign Studies to no longer place students at the University, effective also in 2020-21, had to be resolved before the Board of Trustees could approve these financial statements on a going concern basis. The strategic partnership with the China Education Group agreed in March 2020 has given the University the financial lifeline that it needs to continue to deliver its liberal arts education to students from diverse social and cultural backgrounds. A new Board of Trustees was appointed in March 2020 (which includes myself as Chair and Phil Deans as President) and we look forward to the challenges ahead with the support of our new strategic partner, the China Education Group.

Approved by the Trustees and signed on their behalf by:



Professor Roger King, Chair of Trustees

Date: 30 June 2020

Richmond The American International University in London, Inc
Statement of Governance and Internal Control
for the year ended 30 June 2019

CORPORATE GOVERNANCE STATEMENT

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Trustees. The Board of Trustees recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a business that receives public funds. In carrying out its responsibilities, the Board of Trustees is committed to demonstrating best practice in all aspects of Corporate Governance.

Summary of University's Structure of Governance

The university's objectives, powers and framework of governance are set out in its Instrument and Articles of Government. Under the Articles of Government, the Board of Trustees has a range of powers and duties, including the ongoing responsibility for the strategic direction of the university, approval of major developments, approval of annual estimates of income and expenditure, ensuring solvency of the institution and safeguarding its assets.

Richmond is an American International University, established in 1972 and based in West London with two campuses in Richmond Hill and close to Kensington High Street. Since 1981, the university has been awarding US Degrees accredited by The Middle States Commission on Higher Education. From August 2018, the University was granted the power to award students with its own UK degrees starting, as a consequence of having been recently granted Taught Degree Awarding Powers (TDAP) by the Privy Council. The university is the first and the only university in the UK that has been granted the power to award dual taught degrees. Richmond was originally an American College, founded by the social entrepreneur and politician Sir Cyril Taylor, chairman of the American Institute for Foreign Study (AIFS) and has been used as the London base for the US study abroad programme.

The Trustees work to a comprehensive governance framework that is measured against and compliant with the governance code of the Committee of University Chairs.

The Trustees' role includes:

- Financial and risk stewardship;
- Holding the Directorate to account;
- The building and development of a strong Trustee board;
- The continuing process of embedding good governance throughout the University; "
- Playing a leading role in the University's continuing development; and
- The full integration of all the schools within the University's structure in line with its status as an educational charity and to undertake and support various charitable activities in pursuit of this objective.

The Trustees recognise their responsibility for the academic assurance of the University and monitor the quality of programme delivery. They complete an annual review and sign off their confidence with the regulatory authorities in December.

Conduct of Business

New independent Trustees are recruited through a range of recruitment tools and there is a formal training and an induction process. New Trustees are invited to meet with the Chair and key personnel to discuss the operation and administration of the University.

The Board of Trustees meets formally at least four times a year and has complete responsibility for the stewardship of the University's assets; its members focus on strategic decision making and ensuring adherence to its charitable objectives whilst delegating day-to-day operational responsibilities to the Vice Chancellor & Chief Executive Officer and the Directorate as the executive management team. The Board also holds several strategic planning days each year with the Directorate.

The Board of Trustees undertook a review of the University's Constitution and By Laws in 2018.

The governing body of the University is the Board of Trustees. The Board is collectively responsible for the

Richmond The American International University in London, Inc
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long-term success of the University and is responsible for constructively challenging the Directorate and helping to set the strategic direction of the University. The Board has a Chair and Deputy Chair who are independent. The Board ensures that the University is governed in accordance with its Articles of Association. The University has adopted and complies with the Committee of University Chairs' Code of Governance, which is considered to be best practice within the sector.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. A code of conduct and a policy on managing conflicts of interest clearly set out the responsibilities and duties of individual Trustees. None of the independent Trustees receive any payment, apart from the reimbursement of reasonable expenses, for the work that they do for the University.

In addition to the independent Trustees, the Vice Chancellor & President is a staff Trustee (ex officio). Further, from 1st July 2019 there are two elected trustees, one drawn from academic staff and the other from professional services staff. The elected president of the Student Union is also appointed to the Trustee board.

There is a clear division of responsibility in that the roles of the Chair of the Board and Vice Chancellor & President of the University are separate.

Formal agendas, papers and reports are supplied to trustees in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

All Trustees are able to take independent professional advice in furtherance of their duties at the University's expense and have access to the Head of Governance and Company Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Head of Governance and Company Secretary are matters for the Board as a whole. The Board has a very diverse membership with good balance across the majority of diversity categories including gender, age, ethnicity and skills expertise.

In the year ended 30 June 2019, the following committees of Trustees carried out certain tasks within specific terms of reference as follows:

Audit & Risk Committee
Finance Committee
Human Resources Committee
Remuneration Committee
Estates & Infrastructure Committee
Nominations Committee
Development Committee

Financial Responsibilities of the Trustees

In accordance with the University's Articles of Government, the Board of Governors is responsible for the oversight of the administration and management (by the Executive Board) of the affairs of the university and is required to present audited financial statements for each financial year. The Board of Trustees is responsible for keeping proper accounting records which disclose with reasonable accuracy at that time the financial position of the university and enable it to ensure that the financial statements are prepared in accordance with the university's Articles of Government, and relevant accounting standards. The board, through its designated officer, produces 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 and cash flows for that year. In overseeing the preparation of financial statements, the Board of Trustees has ensured that:

- Suitable accounting policies are selected and applied consistently,
- Judgements and estimates are made that are reasonable and prudent,
- Applicable accounting standards have been followed and any material departures disclosed and explained in the financial statements
- The Financial statements are prepared on a not going concern basis.

Richmond The American International University in London, Inc
Statement of Governance and Internal Control
for the year ended 30 June 2019

The Board of Trustees has also taken reasonable steps to:

- Ensure that there are appropriate financial and management controls in place to safeguard funds
- Safeguard the assets of the university and prevent and detect fraud, and
- Secure the economical, efficient and effective management of the university's resources and expenditure

The Trustees are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law (Chapter 3 of the overseas companies' regulations 2009) requires the Trustees to prepare financial statements for each financial year.

The Trustees are responsible for keeping adequate accounting records that show and explain the University's transactions, disclose with reasonable accuracy at any time the financial position of the University, 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 University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Internal Control

The key elements of the university's system of internal control, which is designed to discharge the financial responsibilities of the Board of Governors, include:

- Clear definitions of the responsibilities of, and the authority delegated to, senior officers of the university
- A comprehensive short- and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of academic performance and of financial results involving variance reporting and updates of forecast out-turns
- Clearly defined and formalised requirements for approval and control of expenditure
- Procedures for the management of investment and risk
- Comprehensive financial regulations, detailing financial controls and procedures
- A professional internal audit service, whose annual programme is approved by the Audit Committee on behalf of the Board of Governors.
- On behalf of the Board of Governors, the Audit Committee reviews the effectiveness of the university's system of internal control.

Risk Management

The University's Board of Trustees is responsible for ensuring the University maintains an effective system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 30 June 2019 and up to the date of approval of the Financial Statements.

The following processes are in place to ensure the effectiveness of the University's internal control and risk management:

- The Board of Trustees meets at least four times a year to consider the plans and strategic direction of the Institution.
- It is advised by its key committees, receiving regular reports from each committee and other reports from management as required.
- In addition, a strategic planning session is held each year with the Board of Trustees
- The Audit Committee has appointed Kingston City Group (KCG) as the University's internal audit partner. The Audit Committee will receive regular reports from KCG, which will include

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Statement of Governance and Internal Control
for the year ended 30 June 2019

recommendations for improvement. The Audit Committee's role in this area is to conduct a high level review of the arrangements for internal control

- An organisation-wide risk register is maintained. The register is reviewed by the Audit Committee and the Board of Trustees. Departmental plans report on and identify risks at an operational level
- Management accounts are presented to the Executive, the Finance Committee and Board of Trustees including full year forecasts and a cashflow statement. The annual budget and financial forecasts are presented for approval by both committees
- The University follows Office for Students guidance on the management of risk. The Richmond Risk Register is prepared by the University Executive and challenged by the Audit Committee of the Trustees at least once a year at its meetings.

The Board of Trustees is ultimately responsible for the system of risk management and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The role of the Board of Trustees is to provide strategic oversight of the University within a framework of prudent and effective controls which enables risk to be assessed and managed. It maintains its risk management and internal control systems through regular reports to the Audit Committee and through the annual report to the Board. Audit Committee is also responsible for defining the level of risk appetite for the University.

There exists a risk management policy, process and mechanisms for identifying, assessing, monitoring and managing risk. The University has identified categories of risk. Each risk is recorded on the strategic risk register and given a rating according to the likelihood and impact of the risk occurring. The risks are regularly reviewed and actively managed according to their severity.

The principal risks currently identified include:

- Lack of funding from AIFS and CTCF in 2020/21 and beyond
- Investment in infrastructure
- The impact of the UK leaving the EU on the UK's higher education sector
- Financial Sustainability
- Health and Safety requirements
- The impact of the working restrictions arising from the Covid-19 pandemic.

Statement of 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. Peters, Elworthy & Moore have been appointed as auditor after the year end.

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.

Going Concern Statement

The Board of Trustees consider that, following the agreement of the strategic partnership with China Education Group in March 2020, the financial statements may be prepared on a going concern basis.

Signed on behalf of the Trustees



Professor Roger King – Chair of Trustees

Date: 30 June 2020

Richmond The American International University in London, Inc
Independent Auditor's report
for the year ended 30 June 2019

NON-STATUTORY INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF RICHMOND, THE AMERICAN UNIVERSITY IN LONDON, INC

Opinion

We have audited the financial statements of Richmond, The American International University in London, Inc (the 'University') for the year ended 30 June 2019, which comprise the Statement of Comprehensive Income and Expenditure, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Reserves and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, Chapter 3 of the Overseas Companies Regulations 2019, the Statement of Recommended Practice – Accounting for Further and Higher Education and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the University's affairs as at 30 June 2019, and of the University's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with Chapter 3 of the Overseas Companies Regulations 2019, the Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for qualified opinion

We were appointed as auditors of the University in May 2020 and, owing to government restrictions imposed as a result of the COVID-19 global pandemic have been unable to physically verify fixed assets held at the balance sheet date amounting to £3,323,000. We have been unable to obtain sufficient appropriate audit evidence around the existence and valuation of these fixed assets by alternate means. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

Owing to the nature and availability of some of the University's records at 30 June 2019, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the carrying value of other debtors of £1,260,000 at 30 June 2019, or the opening balance of £1,080,000 at 30 June 2018, is correct. Consequently, we were unable to determine whether any adjustment to this amount was necessary. Similarly, although the movement in this other debtors balance is immaterial to the reader of the financial statements, we have been unable to verify this and whether the University is entitled to £180,000 that has been recognised as donation income during the year. Further details can be found in note 18.

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

INDEPENDENT AUDITOR'S REPORT (continued)

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 10, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Richmond The American International University in London, Inc
Independent Auditor's report
for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT (continued)

Use of our report

This non-statutory report is made solely to the University's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our non-statutory audit work has been undertaken so that we might state to the University's trustees those matters we are required to state to them in a non-statutory 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 University and the University's trustees as a body, for our non-statutory audit work, for this report, or for the opinions we have formed.

Peters Elworthy & Moore.

Peters Elworthy & Moore
Chartered Accountants
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 30 June 2020

Richmond The American International University in London, Inc
Statement of Comprehensive Income and Expenditure
for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Income			
Tuition fees and education contracts	2	18,853	18,181
Other income	3	4,445	3,949
Donations and endowments	4	6,821	4,909
Total income		30,119	27,039
Expenditure			
Staff costs	5	11,036	9,034
Other operating expenses		18,009	16,063
Depreciation and amortisation	8	793	775
Interest and other finance costs	6	170	34
Total expenditure	7	30,008	25,906
Surplus before other gains		111	1,133
Gain on disposal of fixed assets		-	5
Total comprehensive surplus for the year		111	1,138
Represented by:			
Restricted comprehensive income for the year	14	1,031	566
Unrestricted comprehensive income for the year		(920)	572
		111	1,138

Richmond The American International University in London, Inc
Balance Sheet
for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	8	3,476	3,090
		3,476	3,090
Current assets			
Stock	9	5	7
Trade and other receivables	10	2,601	1,768
Cash at bank and in hand		3,454	4,500
		6,060	6,275
Less: Creditors: amounts falling due within one year	11	4,759	6,546
Net current assets		1,301	(271)
Total assets less current liabilities		4,777	2,819
Less: Provisions	13	2,797	950
Total net assets		1,980	1,869
Restricted Reserves			
Income and expenditure reserve - restricted reserve	14	1,597	566
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		383	1,303
		1,980	1,869
Total Reserves		1,980	1,869

Company Number FC8955

The financial statements were approved by the Governing Body on 30 June 2020 and authorised for issue as well as signed on its behalf on that date by:



Dr Phil Deans
President and Vice-Chancellor



Professor Roger King
Chair of Trustees

Richmond The American International University in London, Inc
Cash Flow Statement
for the year ended 30 June 2019

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	111	1,138
Adjustment for non-cash items		
Depreciation and amortisation	793	775
Decrease in stock	2	2
(Increase)/ Decrease in debtors	(833)	317
(Decrease) / Increase in creditors	(1,787)	1,514
Increase/ (Decrease) in pension provision	1,847	(147)
Unrealised gain on investments	-	-
Foreign exchange (gains) / losses	(180)	279
Adjustment for investing or financing activities		
Interest payable	133	14
Profit on the sale of fixed assets	-	(5)
Net cash inflow from operating activities	86	3,887
Cash flows from investing activities		
Payments made to acquire fixed assets	(1,179)	(568)
Proceeds on the sale of fixed assets	-	5
Net Cash Inflow / (Outflow) from Investing Activities	(1,179)	(563)
Cash flows from financing activities		
Interest paid	(133)	(14)
Net Cash Outflow from Financing Activities	(133)	(14)
(Decrease) / Increase in cash and cash equivalents in the year	(1,226)	3,310
Cash and cash equivalents at beginning of the year	4,500	1,469
Effect of foreign exchange rate changes	180	(279)
Cash and cash equivalents at the end of the year	3,454	4,500
Cash and cash equivalents as per Balance Sheet	3,454	4,500

Richmond The American International University in London, Inc
Statement of Changes in Reserves
for the year ended 30 June 2019

	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 30 June 2017	-	731	731
Surplus from the income and expenditure statement	566	572	1,138
Total comprehensive income for the year	566	572	1,138
Balance at 30 June 2018	566	1,303	1,869
Balance at 1 July 2018	566	1,303	1,869
Surplus / (deficit) from the income and expenditure statement	1,031	(920)	111
Total comprehensive income for the year	1,031	(920)	111
Balance at 30 June 2019	1,597	383	1,980

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with FRS 102, The Financial Reporting Standard for the UK and Republic of Ireland (effective January 2015). They have also been prepared in accordance with the Companies Act 2006.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the University's accounting policies.

The financial statements are prepared in accordance with the historical cost convention.

Since 2016-17 the University has been preparing consolidated accounts incorporating the activities of the Richmond Foundation. Recently, due to the availability of additional information and advice concerning the level of control the University can exercise over the Richmond Foundation's investments, which is a significant part of its operations, the Trustees have decided that it is not appropriate to consolidate the accounts of the Richmond Foundation in these financial statements (2018-19) and for the prior year. The prior year figures have been restated to show the results of the University only.

Going concern

The financial position of the University, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The financial statements have been prepared on the going concern basis as more fully explained on Note 18.

Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Fee income is stated gross of any expenditure and credited to the Statement of Income and Comprehensive Expenditure over the period in which the students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

Donations and endowments

Non-exchange transactions without performance related conditions are donations. Donations with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no performance criteria are recognised in income when the University is entitled to the funds.

Investment income is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms and other restrictions applied to the individual restricted fund.

Restricted donations occur when the donor has specified that the donation must be used for a particular objective.

Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Richmond University Pension Scheme (via Standard Life). The USS scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The Richmond University Pension scheme is a money purchase scheme.

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income and expenditure in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under the defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University can recover the surplus either through reduced contributions in the future or through refunds from the plan.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Operating leases

Costs in respect of operating leases were historically charged on a straight-line basis over the lease term. Any lease premiums or incentives were spread over the minimum lease term.

Foreign currency

Foreign exchange differences arising on translation are recognised in expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the presentational currency, GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

Fixed assets

Tangible Fixed Assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on, or prior to, the date of transition to FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Leasehold land is depreciated over the life of the lease and leasehold improvements are depreciated over the lower of the life of the lease and 10 years.

Equipment

Equipment, including computers and software, costing less than £1,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life less residual value as follows:

Fixtures and Fittings	8 Years
Library Books	5 Years
IT Equipment	5 Years

Depreciation methods, useful lives and residual values are reviewed on an ongoing basis.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

Stock

Stock is held at the lower of cost and net realisable value.

Cash and cash equivalents

Cash includes cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- i. the University has a present obligation (legal or constructive) as a result of a past event;
- ii. it is probable that an outflow of economic benefits will be required to settle the obligation;
- iii. a reliable estimate can be made of the amount of the obligation, and
- iv. in line with the not going concern basis of the accounts.

The amount recognised as a provision is determined by the amount that will crystallise as a cost when the University's operations are discontinued.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Richmond The American International University in London, Inc

Statement of Accounting Policies

for the year ended 30 June 2019

A contingent asset arises where an event has taken place that gives the University a possible asset, the existence of which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation

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's outputs are exempt from Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT incurred in purchasing fixed assets is included in their cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which are accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves are balances which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the University for particular purposes.

Financial Instruments

The University has elected to apply the provisions of Section 11 "Basic Financial Instruments".

Financial assets and financial liabilities are recognised when the becomes a party to the contractual provisions of the instrument, and are offset only when the University currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Financial Assets

Trade and other receivables

Trade and other receivables which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and other receivables are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the income and expenditure statement for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the income and expenditure statement.

Financial Liabilities

Bank loans

Bank loans are overdrafts repayable on demand and are presented within creditors: amounts falling due within one year.

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

Trade and other payables

Trade and other payables payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised based on the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Critical accounting estimates and areas of judgement

In preparing these financial statements, the Trustees have made the following judgements:

Determine whether leases entered into either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit, and the not going concern basis of these accounts.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements. An additional provision has been made to reflect the discontinuation of the University's operations.

Critical accounting estimates and assumptions

The University makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Richmond The American International University in London, Inc
Statement of Accounting Policies
for the year ended 30 June 2019

In accounting for the USS pension provision, management has made a judgement that the current Schedule of Contributions is the correct one.

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are valued at their likely disposal value.

Trade debtors

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

	2019	2018
	£'000	£'000
2 Tuition fees and education contracts		
Full-time home and EU students	4,164	2,960
Full-time international students	14,513	15,126
Part-time students	176	95
	18,853	18,181

	2019	2018
	£'000	£'000
3 Other income		
Residences, catering and conferences	3,243	3,289
Exchange gains / (losses)	180	(279)
Other income	1,022	939
	4,445	3,949

	2019	2018
	£'000	£'000
4 Donations and endowments		
Restricted Donations	1,060	736
Unrestricted donations	5,761	4,173
	6,821	4,909

	2019	2018
	£'000	£'000
5 Staff costs		
Salaries	8,077	7,639
Social security costs	690	668
Other pension costs	2,264	727
Other staff costs	5	-
Total	11,036	9,034

Remuneration of other higher paid staff being staff earning in excess of £100,000, excluding employer's pension contributions

	2019	2018
	No.	No.
£100,000 to £109,999	1	1
£140,000 to £149,999	2	1
£220,000 to £229,999	1	-
£260,000 to £269,999	1	1
	5	3

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

A compensation payment was made to one senior staff member of £249K (2018 £nil).

	2019	2018
	No.	No.
Average staff numbers by major category:		
Academic	128	136
Management & Administration	132	91
Technical	6	8
	<u>266</u>	<u>235</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University which is the Executive. Staff costs includes compensation paid to key management personnel.

	2019	2018
	£'000	£'000
Key management personnel compensation	<u>1,478</u>	<u>1,101</u>

Trustees of the University

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board being drawn from local public and private sector organisations, there may be transactions that take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Board may have an interest, including those identified below, are conducted in accordance with the University's Financial Regulations and usual procurement procedures. Any such transactions are disclosed in the related party note.

No Board member has received any remuneration/waived payments from the group during the year (2018 - none)

The total expenses paid to or on behalf of Board members was £34,488 for five board members (2018 - £8,908 - five board members).

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

	2019	2018
	£'000	£'000
6 Interest and other finance costs		
Loan interest	133	14
Interest on pension scheme	37	20
	170	34

	2019	2018
	£'000	£'000
7 Analysis of total expenditure by activity		
Academic and related expenditure	13,756	11,876
Administration and central services	5,200	4,490
Premises (including service concession cost)	7,423	6,409
Residences, catering and conferences	3,629	3,131
	30,008	25,906

Administration and central services expenses include:

Previous external auditors' remuneration in respect of audit services	-	53
Previous external auditors' remuneration in respect of non-audit services	80	9
Initial external auditors' remuneration in respect of audit services	113	-
Initial external auditors' remuneration in respect of non-audit services	99	-
External auditors' remuneration in respect of audit services	48	-
External auditors' remuneration in respect of non-audit services	-	-

Operating lease rentals:

Land and buildings	1,500	1,500
Equipment	60	60

8 Fixed Assets

	Leasehold Improvements	Fixtures, fittings and equipment	Library Books	Total
Cost				
At 1 July 2018	6,521	1,145	119	7,785
Additions	486	693	-	1,179
Disposals	-	-	-	-
At 30 June 2019	7,007	1,838	119	8,964
Depreciation				
At 1 July 2018	3,968	608	119	4,695
Charge for the year	545	248	-	793
Disposals	-	-	-	-
At 30 June 2019	4,513	856	119	5,488
Net book value				
At 1 July 2018	2,553	537	-	3,090
At 30 June 2019	2,494	982	-	3,476

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

9 Stock

	2019	2018
	£'000	£'000
General consumables	5	7
	<u>5</u>	<u>7</u>

10 Trade and other receivables

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	170	18
Other receivables	1,680	1,157
Prepayments and accrued income	751	593
	<u>2,601</u>	<u>1,768</u>

11 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank Loan	-	1,148
Trade payables	728	160
Social security and other taxation payable	184	187
Accruals and deferred income (inc holiday pay)	3,847	5,051
	<u>4,759</u>	<u>6,546</u>

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2019	2018
	£'000	£'000
Summer School Fees paid in advance	328	491
	<u>328</u>	<u>491</u>

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

12 Financial assets and liabilities

	2019	2018
	£'000	£'000
Financial assets:		
Debt instruments measured at amortised cost	5,304	5,675
Investments held at fair value	-	-
Total	5,304	5,675
Financial liabilities:		
Measured at amortised cost	4,247	5,868
Total	4,247	5,868

13 Provisions for liabilities

	Obligation to fund deficit on USS Pension £'000	Provision for redundancy costs £'000	Total Pensions Provisions £'000
As at 1 July 2018	950	-	950
Contributions	(52)	-	(52)
Change in expected contribution	1,540	-	1,540
Other finance cost	21	-	21
Movement in year	-	338	338
As at 30 June 2019	2,459	338	2,797

Provision of redundancy is based on estimated cost at the time of signing of these accounts and relates to staff employed in Italy.

Unwinding of the discount is included in additional provisions in line with FRS 102.

Whilst various announcements as regards contribution levels have been made by the USS trustees, these are still subject to consultation and agreement. This includes the level of deficit contributions. Therefore as these are only proposals at the moment, and the interim arrangements to April 2020 do not contain any change to the deficit funding levels, the legal obligation to pay 18% employer contributions which includes 2.1% deficit contributions until 2031 (as set out in the existing Schedule of Contributions) still remains and this is the basis upon which the year end provision is calculated.

Richmond The American International University in London, Inc
Notes to the Accounts
for the year ended 30 June 2019

Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

	<u>Consolidated</u>	
Discount rate	2.44%	(2018 - 2.16%)
Inflation	<u>2.65% - 3.99%</u>	(2018 - 2.65 - 3.99%)

The inflation rate varies on a year by year basis. It is based on government's latest consumer prices index estimates.

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

14 Restricted Reserves

	2019	2018
	£'000	£'000
Reserves with restrictions are as follows:		
Balances at 1 July 2018	566	-
Donations	1,060	736
Expenditure	(29)	(170)
Total restricted comprehensive income for the year	<u>1,031</u>	<u>566</u>
As at 30 June 2019	<u><u>1,597</u></u>	<u><u>566</u></u>

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15 Lease obligations

Total rentals payable under operating leases:

	2019			2018		
	Land and Buildings	Other leases	Total	Land and Buildings	Other leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Future minimum lease payments due:						
Not later than 1 year	913	-	913	672	113	785
Later than 1 year and not later than 5 years	2,697	-	2,697	2,090	17	2,107
Later than 5 years	1,494	-	1,494	858	-	858
Total lease payments due	5,104	-	5,104	3,620	130	3,750

16 Pension Schemes

Different categories of staff were eligible to join one of two different schemes:

- Universities' Superannuation Scheme (USS)
- Standard Life - Defined contributions (Group pension).

The main scheme, being USS is a defined-benefit scheme contracted out of the State Second Pension (S2P), the assets of which are held in separate trustee administered funds.

The other scheme is a money purchase scheme contracted into the State Second Pension (S2P), which covers non-academic staff who elected not to transfer to USS. The following payments were made during the year:

	2019	2018
	£'000	£'000
USS	558	895
Other pension schemes	250	148
As at 30 June 2019	808	1,043

(i) University Superannuation Scheme

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. USS is 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 Limited.

Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University 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. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly 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. The total cost charged to the profit and loss account is £1,509k (2018 – income recorded of £147k).

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The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

Since the University cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme 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. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of

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6% of salaries from 1 October 2021 to 31 March 2028. As at 30 June 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £1,452k, a decrease of £1,007k from the current year end provision and a lower charge through the Statement of Comprehensive Income of £554k.

17 Related Party Transactions

The University had the following transactions with the American Institute For Foreign Study, Inc. (AIFS) a connected party in the year. AIFS is controlled by The Cyril Taylor Charitable Foundation, which oversees the restricted endowment fund that is considered significant and material to the financial sustainability of the University.

	2019	2018
	£'000	£'000
Amounts paid to AIFS Inc.	2,092	812
Amounts received from AIFS Inc.	3,350	3,369
Amounts received from CTCF	2,500	3,025

At the year end, £40,000 is owed by the university to AIFS (2018: £5k owed by the university to AIFS). Any debts between the entities are unsecured and there are no unusual terms or conditions applicable.

The Richmond Foundation is a UK registered charity. The Foundation makes periodic donations to the University. During the year these donations amounted to £553k (2018: £1.46m). The University paid £200k (2018: £200k) rent to The Foundation during the year. Included within debtors is £1.26m owed to the University (2018: £1.08m owed to the University).

18 Events after the end of the reporting period

University Superannuation Scheme

As set out in Note 16 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed post year end. This results in a decrease of £1,007k in the provision for the obligation to fund the deficit on the USS pension which would instead be £1,452k. As the Schedule of Contributions was not in place at the financial year end this adjustment will be reflected in the Financial Statements for the year ended 30 June 2020.

COVID-19

The Covid-19 pandemic will have a significant impact on the student fee income in financial year 2020-21 and the Trustees have agreed a budget for 2020-21 which will generate significant cost reductions but it will still result in the University operating in deficit for 2020-21 of around £4 million. The strategic partner – China Education Group – will provide support during the next twelve months which will ensure that the deficit can be financed by an injection of up to £5million during the next twelve months. The University is also likely to receive a donation from Richmond Foundation arising from the sale of a freehold property which should be completed in the first half of 2021. This will add to the financial headroom. Further, the Trustees will place a cap on all capital expenditure to protect the cash position.

Property at 23 Queen's Road, Richmond – Donation to Richmond University

Subsequent to the year end, Richmond Foundation was asked to re-affirm its decision to make an annual donation to the University equal to the anticipated proceeds of the sale of the property at 23 Queen's Road less any costs to sell and repayment of any mortgage outstanding on the date of sale.

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19 Capital Commitments

As at 30 June 2019, the University had committed to further capital expenditure of £100k (2018 - £250k).