

Company No: FC8955

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1996



nm

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1996

INDEX

	Pages
Trustees' report	1 - 3
Auditors' report	4
Statement of financial activities	5 - 6
Balance sheet	7
Cash flow statement	8
Notes forming part of the financial statements	9 - 16

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC.
TRUSTEES' REPORT

The trustees submit their report and audited financial statements for the year ended 30th June 1996.

During the year the University achieved a surplus of £434,975 which represents a 29% increase over the previous year, spent £603,102 on capital expenditure and ended the year with a cash balance of £1.2 million. Enrolment for the year was 1102 students - an all time record. This increase in enrolment represents a 10% increase over the previous year and a 4% increase on the enrolment envisaged prior to the start of the year.

Apart from the increase in enrolment, a number of activities occurred during the year which bode well for the future financial health of the University. Certainly not the least among these developments was the successful visit by the Middle States accrediting team and the subsequent unconditional 10 year re-accreditation report. On the eve of Richmond's 25th anniversary it was also encouraging to receive a visit from the Open University Validation Service, which we are pleased to report has resulted in OU accreditation of the University and the validation of six degree programs.

Other activities also portend well for long-term financial security. The creation of a School of Arts and Sciences to balance the School of Business, and the creation of new masters degree programs, will create marketing opportunities that will enable further enrolment stability. The recent focus on fund-raising activities as we actively pursue new sources of funding world-wide are also beginning to create a brighter long-term financial picture for the University.

Responsibilities of the Trustees

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit of the University for that period. In preparing those financial statements, the trustees are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue its operations.

Activities

The University is an independent public educational charity with exempt status under Section 501(c)3 of the US Internal Revenue Code.

The principal activities of the University, which have remained unchanged during the financial year, were the provision of higher education degrees under licence from the Department of Public Instruction of the State of Delaware USA and as accredited by the Middle States Association of Colleges and Schools.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

TRUSTEES' REPORT (continued)

Management and advisers

Bankers

National Westminster Bank Plc
22 George Street
Richmond
Surrey TW9 1JW

Solicitors

Field Fisher Waterhouse
41 Vine Street
London EC3M 2AA.

Auditors

Casson Beckman
Chartered Accountants
and Registered Auditors
Hobson House
155 Gower Street
London WC1E 6BJ

Trustees

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

American Trustees

Ms M Assefa	Executive Director, World Education Services
Mr R J Brennan (Secretary)	President, American Institute for Foreign Study
Mr R J Cristadoro	Senior Vice President, American Institute for Foreign Study
Mr M I Eizenberg	President, American Council for International Studies
Mr W J McCann	President, Richmond College
Ms M J Jacobi	Head of Group Public Affairs, HSBC Holdings Plc
Dr J Kuhnle	Vice President, Korn/Ferry International
Mrs L Lader	President, The Renaissance Institute
Dr S Melendez	President, Independent Sector
Mr P Tcherepnine	Executive Vice-President, Loeb Partners Management Inc.
Ms V Day	Alumna

British Trustees

Sir Cyril Taylor (Chairman)	Chairman, American Institute for Foreign Study
Dr A E Christodoulou, CBE	Retired-former Secretary General, Association of Commonwealth Universities
Mr C D Joseph	Barrister at Law
Dr M Morgan	Retired - former Principal, The Froebel Educational Institute, London
Mr A J Taylor (Treasurer)	Director of Administration, American Institute for Foreign Study
Mr L V D Tindale (Vice-Chairman)	Retired - former Deputy Chairman, 3i Group Plc

Ms L H Harris was appointed as a trustee on 11th July 1996.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
TRUSTEE'S REPORT (continued)

Connected charity

The Richmond College Foundation (Queens Road, Richmond, Surrey) is a connected charity of the University and provides facilities, equipment and educational programmes to the University by way of donations.

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)

Signed on behalf of the Trustees



29th November 1996

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

AUDITORS' REPORT TO THE MEMBERS OF RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

Respective responsibilities of trustees and auditors

As described in the trustees report, the university's trustees are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to members.

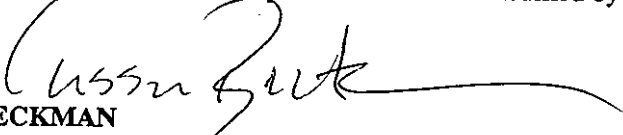
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the university's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the university as at 30th June 1996 and of the income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as modified by the exemptions available to overseas companies.


CASSON BECKMAN

Chartered Accountants
and Registered Auditors

Hobson House
155 Gower Street
London WC1E 6BJ

29th November 1996

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30TH JUNE 1996

	Notes	1996 £	1995 £
Income and expenditure			
Incoming resources			
Fees		11,051,971	9,751,674
Other income		176,858	149,630
Donations	2	138,271	161,102
Bank interest		91,722	62,986
Profit on sale of fixed assets		2,625	-
Total incoming resources		11,461,447	10,125,392
Resources expended			
Direct charitable expenditure			
Provision of educational services	3	10,718,344	9,578,673
Other expenditure			
Publicity		139,107	105,919
Management and administration of the charity	4	123,386	94,992
Taxation	6	45,635	7,407
Total resources expended		11,026,472	9,786,991
Net incoming resources for the year and net movement in funds		434,975	338,401
Balance brought forward at 1st July 1995		1,430,420	1,092,019
Balance carried forward at 30th June 1996		£1,865,395	£1,430,420

There are no recognised gains or losses other than the surplus for the year.

Income and net movement in funds all derive from continuing activities.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 30TH JUNE 1996

The net incoming resources for the year before taxation stated on an unmodified historical cost basis was as follows:

	1996 £	1995 £
Net incoming resources after taxation as reported on page 5	434,975	338,401
Taxation	45,635	7,407
Net incoming resources before taxation as reported	480,610	345,808
Depreciation on revalued element of fixed assets	90,857	132,260
Net incoming resources before taxation on an unmodified historical cost basis	£571,467	£478,068

The net incoming resources for the year after tax stated on an unmodified historical cost basis was £525,832 (1995: £470,661).

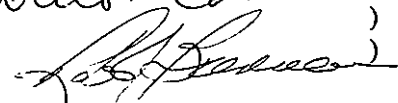
The notes on pages 9 to 16 form part of the financial statements.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

BALANCE SHEET

AT 30TH JUNE 1996

	Notes	1996	1995
		£	£
Fixed assets			
Leasehold improvements	7	495,842	490,589
Equipment		792,309	682,306
Motor vehicles		36,390	6,358
Library books		135,259	129,864
		<u>1,459,800</u>	<u>1,309,117</u>
Current assets			
Stocks		21,642	35,679
Fees receivables		314,125	200,784
Other receivables		93,089	45,447
Prepaid expenditure		214,036	234,895
Cash at bank and on deposit		1,213,304	927,640
Cash in hand		2,512	3,194
		<u>1,858,708</u>	<u>1,447,639</u>
Current liabilities			
Creditors and accruals		402,574	434,364
Student security deposits		203,733	191,600
Fees received in advance		330,974	325,785
Deferred income		392,908	249,862
Other taxation and social security costs		122,924	117,794
Bank overdraft		-	6,931
		<u>1,453,113</u>	<u>1,326,336</u>
Net current assets		<u>405,595</u>	<u>121,303</u>
Total assets less current liabilities		<u>£1,865,395</u>	<u>£1,430,420</u>
Represented by:			
Accumulated fund	8		
Unrestricted		1,865,395	1,430,420
		<u>£1,865,395</u>	<u>£1,430,420</u>

)
)

TRUSTEES

The notes on pages 9 to 16 form part of the financial statements.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 1996

	1996		1995	
	£	£	£	£
Net cash inflow from operating activities (see note 9)		847,109		879,605
Returns on investments and servicing of finance				
Interest received	48,877		62,986	
		48,877		62,986
Taxation				
Income tax paid	(3,596)		(9,042)	
		(3,596)		(9,042)
Investing Activities				
Receipts from disposal of tangible fixed assets	2,625		-	
Payments to acquire tangible fixed assets	(603,102)		(502,607)	
		(600,477)		(502,607)
Net cash inflow before financing and increase in cash and cash equivalents (see note 9)		£291,913		£430,942

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1996

1. Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements include the income and expenditure for the year ended 30th June 1996.

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Statements of Standard Accounting Practice and with the Statement of Recommended Practice "Accounting by Charities", and the United Kingdom Companies Act 1985. The trustees have adopted an alternative form of presentation to that prescribed in Schedule 4 of the Companies Act 1985 as in their opinion this is necessary in order to present a true and fair view of the university's affairs.

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 received.

Direct charitable expenditure

Direct charitable expenses comprises all expenditure directly relating to the objects of the charity.

Other expenditure

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

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 or valuation, less estimated residual value of each asset, over the expected useful life as follows:

Leasehold improvements	-	12½ %
Equipment	-	20 %
Motor vehicles	-	25 %
Library books	-	20 %

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

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 1996

1. Accounting policies (continued)

Stocks

Stocks are valued on a first in, first out basis at the lower of cost and net realisable value, and represent stationery and consumables.

Contribution to pensions

A money purchase pension scheme is operated for the benefit of eligible employees. All the Trustees of the scheme are employees of the University. Both the University and employees contribute to the fund. The charge to the income and expenditure account represents University contributions accrued in respect of the period.

The University also participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The Fund is valued every three years by a professionally qualified independent actuary using the aggregate method, the rates of contributions payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the Scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the Scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

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 rates ruling at the date of the transactions. All differences are taken to the income and expenditure account.

2. Donations

Donations are made up as follows:-

	£
Unrestricted	106,271
Restricted	32,000
	£138,271

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

At 31st March 1996, the Richmond College Foundation's audited accounts showed accumulated funds of £347,657, of which £68,529 was in respect of unrestricted funds.

Certain donations received were made for the following restricted purposes, all of which have been expensed by the University during the year.

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 1996

2. Donations (continued)

	£
Provision of library furnishings	6,461
Provision of library books	14,448
Provision of faculty development and training	10,616
Other	475
	<u>£32,000</u>

3. Direct charitable expenditure	1996	1995
Provision of educational services	<u>£10,718,344</u>	<u>£9,578,673</u>

Direct charitable expenditure is all expenditure incurred directly relating to the provision of educational services by the University.

4. Management and administration costs	1996	1995
	£	£
Management and administration costs include:		
Auditors' remuneration	<u>17,038</u>	<u>16,450</u>

5. Employees and trustees	1996	1995
	£	£
Staff costs including executive trustees during the year amounted to:-		
Wages and salaries	3,659,672	3,373,889
Social security costs	327,846	318,827
Other pension costs	278,538	249,080
	<u>£4,266,056</u>	<u>£3,941,796</u>

The average monthly number of employees during the year was:-	No.	No.
	<u>256</u>	<u>236</u>

Staff costs include the following emoluments in respect of trustees:

Trustees emoluments	97,070	92,605
Other pension costs	19,043	20,523
	<u>£116,113</u>	<u>£113,128</u>

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

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30TH JUNE 1996

5. Employees and trustees (continued)

Expenses reimbursed to twelve trustees during the year in respect of travelling and subsistence costs amounted to £17,803.

The number of employees whose emoluments were £40,000 or above were as follows:-

	No
£40,001 - £50,000	5
£50,001 - £60,000	1
£60,001 - £70,000	1
	7

6. Taxation

It has been agreed with the Inland Revenue that the university is not liable for corporation tax.

The charge represents income tax on interest receivable at current rates as follows:

	1996 £	1995 £
Current year		
Income tax	£45,635	£7,407

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 1996

7. Fixed assets

	Library books £	Leasehold improvements £	Equipment £	Motor vehicles £	Total £
Cost					
At 1st July 1995	652,125	1,895,560	1,708,602	129,021	4,385,308
Additions	61,717	130,947	369,672	40,766	603,102
Disposals	-	-	-	(18,088)	(18,088)
Write off of fully written down assets	(261,398)	(603,804)	-	-	(865,202)
At 30th June 1996	£452,444	£1,422,703	£2,078,274	£151,699	£4,105,120
Depreciation					
At 1st July 1995	522,261	1,404,971	1,026,296	122,663	3,076,191
Charge for the year	56,322	125,694	259,669	10,734	452,419
In respect of disposals	-	-	-	(18,088)	(18,088)
Write off of fully written down assets	(261,398)	(603,804)	-	-	(865,202)
At 30th June 1996	£317,185	£926,861	£1,285,965	£115,309	£2,645,320
Net book value					
At 30th June 1996	£135,259	£495,842	£792,309	£36,390	£1,459,800
At 30th June 1995	£129,864	£490,589	£682,306	£6,358	£1,309,117

The net book value at 30th June 1996 represents fixed assets used for direct charitable purposes only

8. Reserves and reconciliation of movements in funds

	Revaluation Reserve £	Accumulated Funds £	Total funds £
Opening funds	174,948	1,255,472	1,430,420
Net incoming resources	-	434,975	434,975
Adjustment for revalued element of depreciation	(90,857)	90,857	-
Closing funds	£84,091	£1,781,304	£1,865,395

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
NOTES FORMING PART OF THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 30TH JUNE 1996

9. Notes to the cash flow statement

	1996 £	1995 £
Reconciliation of net incoming resources to net cash inflow from operating activities:-		
Net incoming resources before taxation	480,610	345,808
Interest receivable	(91,722)	(62,986)
Profit on sale of fixed assets	(2,625)	-
Depreciation	452,419	427,036
Decrease/(increase) in stock	14,037	(5,514)
(Increase)/decrease in debtors	(140,124)	47,638
Increase in creditors	134,514	127,623
Net cash inflow from operating activities	£847,109	£879,605
Analysis of changes in cash and cash equivalents during the year:-		
Balance at 1st July 1995	923,903	492,961
Net cash inflow	291,913	430,942
Balance at 30th June 1996	£1,215,816	£923,903

Analysis of the balances of cash and cash equivalents as shown in the balance sheet:-

	1996 £	1995 £	Change in year £
Cash at bank and in hand	1,215,816	930,834	284,982
Bank overdrafts	-	(6,931)	6,931
	£1,215,816	£923,903	£291,913

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC
NOTES FORMING PART OF THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 30TH JUNE 1996

10. Pension costs

I Money purchase scheme.

The pension charge for the year was £125,923 (1995 - £129,945).

ii. Universities Superannuation Scheme.

The total pension cost for the university was £152,615 (1995 - £119,135).

The pension cost is assessed using the projected unit method.

The assets of the scheme are held in a separate trustee administered fund.

The latest actuarial valuation of the Scheme was at 31st March 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salary and pensions. It was assumed that the investment return would be 8½% per annum, that salary scale increases would be 6½% per annum, and that pension would increase by 5% per annum.

At the date of the latest actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the Scheme was £7,838 million and the actuarial value of the assets was sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. The level of contributions paid by the employing institutions takes into account this actuarial deficiency.

11. Capital commitments

	1996 £	1995 £
Authorised and contracted for	£12,308	£ -

12. Financial commitments

At 30th June 1996 the University was committed to make payments in the forthcoming year under the following operating lease obligations which expire as follows:

	Land and buildings		Equipment	
	1996 £	1995 £	1995 £	1995 £
Within one year	-	200,000	-	-
Within two to five years	200,000	-	-	-
After five years	116,025	116,025	40,322	40,768
	£316,025	£316,025	£ 40,322	£ 40,768

RICHMOND COLLEGE, THE AMERICAN INTERNATIONAL UNIVERSITY IN LONDON, INC

NOTES FORMING PART OF THE FINANCIAL STATEMENT (continued)

FOR THE YEAR ENDED 30TH JUNE 1996

13. Commitments and connected parties

- (a) The University paid £2,470,463 during the year (1995: £2,210,611) to the American Institute for Foreign Study Inc. a connected party for services and facilities provided, of which £300,000 was committed (£376,000 in the forthcoming year).
- (b) Other financial commitments amounted to £87,853 (1995 - £82,604) relating to the purchase of university catalogues and year books which were contracted for at the year end.

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.

15. Country of incorporation

The University is incorporated in the United States of America.

16. Approval of financial statements

These financial statements were formally approved by the board of trustees on 29th November 1996.