



**AMERICAN UNIVERSITY
IN KOSOVO FOUNDATION**

**Financial statements
for the year ended June 30, 2014
(with independent auditor's report thereon)**

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

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Independent Auditors' Report

To the Board of Directors of the
American University in Kosovo Foundation

Prishtina, 4 September 2014

We have audited the accompanying financial statements of American University in Kosovo Foundation ("AUKF"), which comprise the statement of financial position as at 30 June 2014, the statements of profit or loss and other comprehensive income, changes in fund balance and cash flows for the period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of AUKF as at 30 June 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Sh.p.k. Kosovo Branch

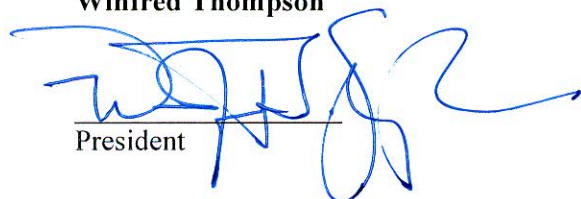
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AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Financial Position
As at June 30, 2014

	Notes	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
ASSETS			
Non-current assets			
Property and equipment	3	441,707	637,707
Intangible assets	4	22,880	42,238
Total non-current assets		464,587	679,945
Current assets			
Accounts receivable	5	139,695	270,694
Deposits with AUKF - NY	6	737,299	662,617
Short term investments	7	1,327,335	489,096
Cash and bank balances	8	450,544	687,155
Total current assets		2,654,873	2,109,562
TOTAL ASSETS		3,119,460	2,789,507
LIABILITIES AND RESERVES			
Current liabilities			
Scholarship fund	9	108,648	39,390
Deferred tuition fees	10	1,108,347	625,030
Accounts payable and accrued expenses	11	67,963	374,618
Total current liabilities		1,284,958	1,039,038
Non current liabilities			
Deferred income from donated assets	3	12,607	17,641
Total non-current liabilities		12,607	17,641
Reserves			
Retained surplus		1,821,895	1,732,828
Total reserves		1,821,895	1,732,828
TOTAL LIABILITIES AND RESERVES		3,119,460	2,789,507

The financial statements have been signed and authorised for issue on behalf of the Board of Directors on September 4, 2014 by:

Winfred Thompson



President

Ilir Krasniqi



Chief Financial Officer

The notes on pages 5 to 20 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Profit or Loss and Other Comprehensive Income
For the year ended June 30, 2014

	Notes	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Revenue			
Fee income	12	3,299,781	3,654,777
Grant income	13	12,007	9,771
Interest income	14	18,484	12,177
Income from donated assets	3	5,034	5,377
Other income	15	347,718	412,601
Total revenue		3,683,024	4,094,703
Expenditures			
Staff salaries and benefits	16	1,229,026	1,335,801
Faculty housing costs		18,450	14,871
Rent Expenses	17	69,231	92,308
Academic consulting fees	18	1,009,534	1,104,368
Training and Development Institute Direct costs ('TDI')	19	139,184	138,933
Special programs/Summer Program		198,823	175,475
Marketing costs		77,465	87,210
Telephone and internet		47,729	38,105
Energy and fuel costs		9,803	25,670
Repairs and maintenance		87,437	111,038
Depreciation	3	257,865	297,000
Amortisation	4	23,918	21,417
Property & equipment write off		57,725	4,230
Office supplies		26,538	44,750
Admission test fee		3,389	4,678
U.S.A. office costs		32,348	33,533
Audit and legal fees		37,516	195,092
Travel expenses		11,317	14,987
Security costs		75,758	70,982
Academic events		29,601	29,672
Utilities		50,660	60,224
Bank charges and foreign exchange net		37,706	6,621
Provisions against doubtful receivables	5	29,442	6,669
Miscellaneous		33,492	43,442
Total expenditure		3,593,957	3,957,076
Net surplus for the year		89,067	137,627
Other comprehensive income		-	-
Total comprehensive surplus for the year		89,067	137,627

The notes on pages 5 to 20 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Changes in Fund Balance
For the year ended June 30, 2014

	Retained surplus (in EUR)	Total Reserves (in EUR)
Balance as at July 1, 2012	1,595,201	1,595,201
Net surplus for the year	137,627	137,627
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	<u>137,627</u>	<u>137,627</u>
Balance as at June 30, 2013	1,732,828	1,732,828
Net surplus for the year	89,067	89,067
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	<u>89,067</u>	<u>89,067</u>
Balance as at June 30, 2014	<u>1,821,895</u>	<u>1,821,895</u>

The notes on pages 5 to 20 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Cash Flows
For the year ended June 30, 2014

		Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Cash flows from operating activities			
Net surplus for the year		89,067	137,627
Adjustments for:			
Depreciation of property and equipment	3	257,864	297,000
Amortisation of intangible assets	4	23,918	21,417
Loss on write offs of property and equipment		57,726	4,230
Provision expenses for the year	5	29,442	6,669
Recoveries from bad debts during the year		(24,009)	(15,081)
Income from donated assets	3	(5,034)	(5,377)
Interest income	14	(18,484)	(12,177)
Operating surplus before changes in operating assets and liabilities		410,490	434,308
Changes in operating assets and liabilities			
Change in accounts receivable	5	125,565	464,595
Change in deposits with AUKF NY	6	(74,682)	116,444
Change in scholarship fund	9	69,258	(85,557)
Change in deferred tuition fees	10	483,317	455,836
Change in accounts payable and accrued expenses	11	(306,655)	(230,253)
Net cash generated from operating activities		707,293	1,155,373
Cash flows from investing activities			
Interest received	14	18,484	12,177
Purchase of property and equipment	3	(122,384)	(184,045)
Loss/(gain) from disposal of property, plant and equipment		2,795	(39,024)
Purchase of intangible asset	4	(4,560)	-
Increase in short term investments		(838,239)	(456,458)
Net cash used in investing activities		(943,904)	(667,350)
Net (decrease)/increase in cash and cash equivalents			
		(236,611)	488,023
Cash and cash equivalents at the beginning of the year		687,155	199,132
Cash and cash equivalents at end of year	8	450,544	687,155

The notes on pages 5 to 20 are an integral part of these financial statements.

1. INTRODUCTION

The American University in Kosovo Foundation ('AUKF') is a non-profit organisation registered as a Non-Governmental Organization ("NGO") on May 8, 2002 under United Nations Interim Administration Mission in Kosovo ("UNMIK") Regulation No. 1999/22 on "the Registration and Operations of Non – Government Organisations in Kosova".

AUKF was established for the purpose of establishing, supporting and operation of the American University in Kosovo ("the University"). The Union Fund for the Reconstruction of Kosovo ("UFORK") provided the initial funding for AUKF. According to the agreement with UFORK, AUKF has become a four-year, English language institution accredited within both Kosova and the United States of America. The Board of Directors of AUKF is composed of thirteen members.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Standards and Interpretations in issue not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2014, and have not been applied in preparing these financial statements. None of these are likely to have an effect on the financial statements of the AUKF, with the exception of:

IFRS for Small and Medium-sized Entities - The IFRS for SMEs does not contain an effective date; instead, it will take effect from a date determined by the national regulator in each jurisdiction. The IFRS for SMEs is intended to facilitate financial reporting by small and medium-sized entities (SMEs) that want to use international standards by providing an accounting standard suitable for them. It is a simplified and slimmed-down version of full IFRSs and is available for entities that do not have public accountability. It will be up to the national regulators and legislators to decide who is permitted or required to apply IFRS for SMEs in each jurisdiction.

IFRS for SMEs simplifies the recognition and measurement requirements compared to full IFRSs in some areas and excludes topics not considered relevant for SMEs and removes the more complex option in certain areas in which full IFRSs allow more than one accounting option.

An entity follows either the requirements of the IFRS for SMEs in full or else uses full IFRSs. The only exception is that an entity applying the IFRS for SMEs can choose for financial instruments to apply either the provisions of the IFRS for SMEs, or the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of the IFRS for SMEs. Management have yet to determine if AUKF will apply IFRS for SMEs, once the national regulator decides on how to apply these standards in Kosovo.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Currency of presentation

The reporting currency of AUKF is the European Union currency unit Euro (“EUR”).

2.5 Significant accounting policies

A summary of the most significant accounting policies adopted in the preparation of the financial statements is presented below:

2.5.1 Property and equipment

Property and equipment are stated at cost, or fair value for donated assets, less accumulated depreciation and provision for impairment where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of revenue and expenditures. The estimated recoverable amount is the higher of an asset’s net selling price and its value-in-use.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

The cost or fair value of purchased or donated property and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

The building occupied by AUKF is provided rent-free and tax-free pursuant to a memorandum of understanding signed between AUKF and the Ministry of Education, Science and Technology. Leasehold improvements paid for by AUKF are capitalized and depreciated over the shorter of the lease term and their useful lives.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus or deficit for the reporting period. Repairs and maintenance are charged to surplus or deficit when the expenditure is incurred.

Depreciation is provided on a straight-line basis calculated to write off the recorded cost or fair value of property and equipment over their estimated useful lives at the following annual rates:

Leasehold building improvements	10%
Computers and related equipment	33%
Laptops	25%
Furniture, fixtures and equipment	20%
Vehicles	20%

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5.2 Intangible assets (Software)

Intangible assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred. Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets at the annual rate of 33%.

2.5.3 Foreign currency transactions

Transactions in currencies other than EUR are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on the reporting date. Profits and losses arising on translation are recorded in surplus or deficit in the period in which they arose.

2.5.4 Grants related to assets and expenses

Grants related to assets, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that AUKF will comply with the conditions attaching to them and that the grants will be received. Grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Deferred income is recognised as income on a systematic and rational basis over the useful life of the related assets. Grants that compensate AUKF for expenses incurred are recognised in profit or loss at the fair value and recorded as an offset to the related expense on a systematic basis in the same periods in which the expense is recognised. Refer to note 17 for the accounting treatment of the building provided free of rent.

2.5.5 Revenue recognition

Revenue from tuition fees is recognised as income on a straight-line basis over the period of the relevant tuition course. Application fees are recognised as income in the period of application.

Interest income is recognized using the effective interest method.

2.5.6 Taxation

AUKF was established as a non-profit organisation under UNMIK regulations and has been granted public benefit status. Based on the laws in force in Kosovo, it is exempt from corporate taxation and VAT.

2.5.7 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.5.8 Critical judgements in applying the accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5.9 Critical judgements in applying the accounting policies and key sources of estimation uncertainty (continued)

In determining whether a provision for bad debt should be recorded, AUKF makes judgments as to whether there is any observable data indicating that there is any identified and measurable risk related to receivables.

2.5.10 Retirement benefit costs

AUKF makes no provision and has no obligation for employee pensions over and above the contributions paid into the Kosovo Pension Saving Trust (“KPST”).

2.5.11 Financial assets and liabilities

(i) Recognition

AUKF initially recognizes financial assets and liabilities on the trade date at which it becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

AUKF derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets, if any, which is created or retained by AUKF, is recognised as a separate asset or liability.

AUKF derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, AUKF has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iv) Measurement

Non-derivative financial instruments comprise receivables, cash and cash equivalents, and payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost.

Cash and cash equivalents comprise cash and short term highly liquid investments with maturities of three months or less and are subject to an insignificant risk of changes in values.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5.11 Financial assets and liabilities (continued)

(v) Impairment (continued)

At each reporting date AUKF assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

AUKF considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against receivables.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through surplus or deficit.

2.5.12 Scholarship fund

AUKF is the custodian of various scholarship funds provided by governmental and non-governmental organisations. The funds are awarded to students qualifying for scholarships under the criteria set out by the various donor organisations. Initially the funds are presented in the statements of financial position by setting up the fund as scholarship fund. Funds are recognized as tuition income on a systematic and rational basis over the useful life of the scholarships awarded to students.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2014

3. PROPERTY AND EQUIPMENT

	Leasehold buildings improvements (in EUR)	Computers and related equipment (in EUR)	Furniture, fixtures and equipment (in EUR)	Vehicles (in EUR)	Laptops (in EUR)	Total (in EUR)
Cost:						
As at July 1, 2012	821,723	767,580	297,241	63,833	643,709	2,594,086
Additions	-	60,620	11,745	18,450	111,680	202,495
Write offs	-	(574,384)	(230,874)	(18,850)	(699)	(824,807)
As at June 30, 2013	821,723	253,816	78,112	63,433	754,690	1,971,774
Additions	7,116	1,942	14,304	-	99,022	122,384
Write offs	-	-	-	-	(60,981)	(60,981)
As at June 30, 2014	828,839	255,758	92,416	63,433	792,731	2,033,177
Accumulated depreciation:						
As at July 1, 2012	469,937	658,382	267,824	48,077	415,623	1,859,843
Charge for the year	82,173	86,885	16,283	11,363	100,296	297,000
Write offs	-	(573,334)	(231,328)	(17,977)	(137)	(822,776)
As at June 30, 2013	552,110	171,933	52,779	41,463	515,782	1,334,067
Charge for the year	82,513	51,567	14,253	9,363	100,168	257,864
Write offs	-	-	-	-	(461)	(461)
As at June 30, 2014	634,623	223,500	67,032	50,826	615,489	1,591,470
Net book value:						
As at June 30, 2014	194,216	32,258	25,384	12,607	177,242	441,707
As at June 30, 2013	269,613	81,883	25,333	21,970	238,908	637,707

3. PROPERTY AND EQUIPMENT (CONTINUED)

Deferred income related to donated assets

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Balance as at July 1	17,641	4,567
Donation received during the year	-	18,451
Release to income during the year	(5,034)	(5,377)
Balance as at June 30	12,607	17,641

4. INTANGIBLE ASSETS

	Software (in EUR)
Cost	
Balance as at July 1, 2012	102,533
Additions during the year	39,025
Write offs	(68,467)
Balance as at June 30, 2013	73,091
Additions during the year	4,560
Balance as at June 30, 2014	77,651
Accumulated amortization	
Balance as at July 1, 2012	75,706
Amortisation for the year	21,417
Write offs	(66,270)
Balance as at June 30, 2013	30,853
Amortisation for the year	23,918
Balance as at June 30, 2014	54,771
Net book value	
As at June 30, 2014	22,880
As at June 30, 2013	42,238

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2014

5. ACCOUNTS RECEIVABLE

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Tuition receivables	182,795	359,207
Training and Development Institute (“TDI”) receivables	38,054	25,014
Advances and prepayments	57,214	18,241
Other receivables	10,253	11,420
Accounts receivables	288,316	413,882
Provisions against doubtful receivables	(148,621)	(143,188)
Balance as at June 30	139,695	270,694

Tuition receivables balance as at June 30, 2014 represent fees for the 2013 - 2014 academic year.

The movement of provision for doubtful receivables for the year is as follows:

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Balance as at July 1	143,188	151,600
Charge for the year	29,442	6,669
Recovered during the year	(24,009)	(15,081)
Balance as at June 30	148,621	143,188

Below is presented the aging of tuition and TDI receivables at June 30, 2014:

Receivables	Less than six month	Six months to one year	Older than one year	Total
Tuition receivables	31,816	15,394	135,585	182,795
Training and Development Institute (“TDI”) receivables	25,018	-	13,036	38,054
Total	56,834	15,394	148,621	220,849

Below is presented the aging of tuition and TDI receivables at June 30, 2013:

Receivables	Less than six month	Six months to one year	Older than one year	Total
Tuition receivables	85,775	136,081	137,351	359,207
Training and Development Institute (“TDI”) receivables	19,782	2,353	2,879	25,014
Total	105,557	138,434	140,230	384,221

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2014

6. DEPOSITS WITH AUKF - NY

American University in Kosovo Foundation Inc., a New York, non-profit charitable foundation (AUKF-NY) was formed for the purposes of contributing to the advancement of education and science through soliciting the support and contribution of the general public, as well as private, public, governmental and non-governmental organizations for the establishment, operation and management of an American University in Kosovo. AUKF-NY provides technical assistance to AUKF in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUKF through American University in Kosovo Foundation International (Kosovo), which is a separate legal entity from AUKF. During the year ended June 30, 2014, EUR 344,537 (2013: EUR 248,662) were provided by AUKF NY for such international technical assistance services.

Based on the agreement dated January 6, 2009 all the billings are on an actual cost basis and no surplus is charged between the entities. Deposits with AUKF-NY in the amount of EUR 737,299 as at 30 June 2014 (30 June 2013: EUR 662,617) represent the cash transferred to AUKF-NY during 2013/2014 in excess of expenditures.

7. SHORT TERM INVESTMENTS

Short term investments represent deposits with flexi accounts held at local banks in Kosovo with effective interest rate between 0% -1.2% p.a. (2013: 1.2 % - 3.0% p.a.).

8. CASH AND BANK BALANCES

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Cash in hand	333	5,028
Cash at banks	450,211	682,127
Balance as at June 30	450,544	687,155

9. SCHOLARSHIP FUND

The scholarship fund has been created by AUKF and contributed by AUKF (note 12), IPKO Foundation, Kosovo's Government, USAID, US Embassy, British Embassy, Kosovo Diplomatic Observer Mission, Kosovo Security Forces ('KSF') following the ongoing agreement whereby KSF covers the tuition of its cadets and other individual donors, to fund the cost of student fees, which meet the criteria agreed with the donors.

A summary of the scholarship fund account movement is as follows:

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
As at July 1	39,390	124,947
Donations received during the year	578,939	527,510
Scholarships granted during the year	(509,681)	(613,067)
As at June 30	108,648	39,390

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2014

10. DEFERRED TUITION FEES

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Undergraduate	995,399	492,649
TDI	17,257	2,128
Summer program	95,691	130,253
Balance as at June 30	<u>1,108,347</u>	<u>625,030</u>

Deferred tuition fees relate to fees received for courses, which are to be held in future semesters. Undergraduate deferred fees increased due to changes in structure of academic year, from three semesters in the year 2012/ 2013 to two semesters in the year 2013/2014.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Accounts payable	63,736	365,371
Accrued expenses	4,227	9,247
Balance as at June 30	<u>67,963</u>	<u>374,618</u>

12. FEE INCOME

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Earned revenue – Undergraduate program	3,348,089	3,740,143
Revenue from TDI	254,858	291,203
Fee received from applications	-	3,240
AUK Contribution to scholarship fund	(303,166)	(379,809)
	<u>3,299,781</u>	<u>3,654,777</u>

A Scholarship Fund is allocated each year by AUKF to be given to worthy students fulfilling certain criteria (note 2.5.12 and 9). Contributions to scholarship fund also includes wages paid to students as part of student’s working hours program, which was EUR 19,394 in 2014 (2013: EUR 38,013).

13. GRANT INCOME

During the year ended June 30, 2014, AUKF received donations of EUR 12,007 (2013: EUR 9,771) from the AUKF Board of Trustees.

14. INTEREST INCOME

Interest income in the amount of EUR 18,484 (2013: EUR 12,177) consists of interest earned on investments and bank balances.

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15. OTHER INCOME

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Special Program/Summer Program	251,275	274,265
Late payment fees	-	16,800
Income from rent	21,030	36,178
Other income	75,413	85,358
	<u>347,718</u>	<u>412,601</u>

16. STAFF SALARIES AND BENEFITS

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Staff salaries	477,822	505,983
Faculty salaries	609,590	655,909
TDI salaries	65,076	77,338
Pension contributions	39,488	50,472
Health insurance	35,790	43,329
Per Diem	1,260	2,770
	<u>1,229,026</u>	<u>1,335,801</u>

17. RENT EXPENSES

Rent expenses in the amount of EUR 69,231 relate mainly to rent for the premises of Training Development Institute. As discussed in Note 2.5.1, AUKF is provided by the Ministry of Education, Science and Technology a building owned by the Municipality of Pristina on a rent-free and tax-free basis for a period of 10 years. AUKF has not recognized any rental expense or related benefit for this rent free accommodation. In the absence of specific guidance in IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", AUKF has considered an alternative treatment would be to estimate the fair value of the rental benefit received which would result in a corresponding government grant income, such that the net impact to profit or loss for the period would be nil.

18. ACADEMIC CONSULTING FEES

This fee represents amounts paid to the Rochester Institute of Technology ("RIT"), a United States education corporation for undergraduate and graduate programs. These fees are in accordance with the terms of an agreement dated September 25, 2003 between AUKF and RIT for the provision of experts and certain specific educational services by RIT to AUKF.

19. TDI DIRECT COST

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
IT, Business and Management Courses	139,184	138,933
	<u>139,184</u>	<u>138,933</u>

20. RELATED PARTY DISCLOSURE

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include AUKF – NY, Board of Trustees and key management. Transactions with key management personnel are summarized below, while for transactions with AUKF-NY refer to *Note 6*.

	Year ended June 30, 2014 (in EUR)	Year ended June 30, 2013 (in EUR)
Key management personnel compensation	170,661	114,100

Included in accounts payable as at 30 June 2014 are EUR 14,657 which relate to key management personnel compensations.

The remuneration of the President is determined by the Board of Directors having regard to the performance of the individual and market trends.

Grant income includes an amount of EUR 11,623 donated by members of AUKF Board of Trustees, and management.

21. GERMIA CAMPUS PREMISES

Pursuant to a Memorandum of Understanding signed between AUKF and the Ministry of Education, Science and Technology of Kosova, formalised by a contract between AUKF and the Municipality of Prishtina, AUKF will have the use of the “Germia Campus” educational facility for a period of ten years commencing from July 1, 2005 with the possibility of renewal after the expiry of this term. The contract specifies that AUKF will have use of the site on a rent-free and tax-free status during this period.

The renovation and reconstruction of the “Germia Campus” was carried out by Mabetex Corporation acting on a donor basis, commencing in February 2005 and completed in October 2005. Since the project work was performed on a donor basis and the contract between AUKF and the Municipality of Prishtina specifies that such renovations shall remain the property of the owner, no related costs are capitalised by AUKF except for those costs incurred by AUKF itself as explained under Note 3 and Note 17.

22. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) *Exposure to credit risk*

Credit risk is the risk of financial loss to AUKF if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the AUKF’s receivables and from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

22. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

(i) Exposure to credit risk (continued)

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Accounts receivable	139,695	270,694
Deposits with AUKF-NY	737,299	662,617
Short term investments	1,327,335	489,096
Cash and bank balances	450,544	687,155
As at June 30	2,654,873	2,109,562

(ii) Management of credit risk

AUKF is exposed to credit risk in respect of tuition fees receivable from its students. AUKF manages its credit risk by continuously monitoring the collectability of its receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Organisation will encounter difficulty in meeting obligations from its financial liabilities.

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements:

	June 30, 2014 Pay-down expected to be made within 12 months (EUR)	June 30, 2013 Pay-down expected to be made within 12 months (EUR)
Accounts payable and accrued expenses	67,963	374,618
As at June 30	67,963	374,618

Management of liquidity risk

Liquidity risk is the risk that the AUKF will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

AUKF monitors its liquidity on a periodic basis in order to manage its obligations as and when they become due.

The following are the contractual maturities of financial assets and liabilities including interest payments as at 30 June 2014 and 2013:

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

	Carrying Amounts	6 Months or less	6-12 months	1-5 Years	More than 5 Years
<i>Financial assets</i>					
Accounts receivable	139,695	139,695	-	-	-
Deposits with AUKF - NY	737,299	737,299	-	-	-
Short term investments	1,327,335	1,327,335	-	-	-
Cash and bank balances	450,544	450,544	-	-	-
	2,654,873	2,654,873	-	-	-
<i>Financial liabilities</i>					
Scholarship fund	(108,648)	(108,648)	-	-	-
Accounts payable and accrued expenses	(67,963)	(67,963)	-	-	-
	(176,611)	(176,611)	-	-	-
Liquidity risk at 30 June 2014	2,478,262	2,478,262	-	-	-
	Carrying Amounts	6 Months or less	6-12 months	1-5 Years	More than 5 Years
<i>Financial assets</i>					
Accounts receivable	270,694	270,694	-	-	-
Deposits with AUKF – NY	662,617	662,617	-	-	-
Short term investments	489,096	489,096	-	-	-
Cash and bank balances	687,155	687,155	-	-	-
	2,109,562	2,109,562	-	-	-
<i>Financial liabilities</i>					
Scholarship fund	(39,390)	(39,390)	-	-	-
Accounts payable and accrued expenses	(374,618)	(374,618)	-	-	-
	(414,008)	(414,008)	-	-	-
Liquidity risk at 30 June 2013	1,695,554	1,695,554	-	-	-

22. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk

Transactions in foreign currencies are translated to the AUKF's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

The AUKF's exposure to foreign currency risk is as follows based on notional amounts:

Amounts in USD in table below are denominated in EUR.

	June 30, 2014		June 30, 2013	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Accounts receivable	139,695	-	270,694	-
Deposits with AUKF-NY	173,745	563,554	662,617	-
Short term investments	1,327,335	-	489,096	-
Cash and bank balances	350,276	100,268	279,542	407,613
	1,991,051	663,822	1,701,949	407,613
Accounts payable and accrued expenses	(67,963)	-	(374,618)	-
As at June 30	1,923,088	663,822	1,327,331	407,613

AUKF incurs foreign currency risk on cash and cash equivalents and deposits with AUKF-NY that are denominated in a currency other than EUR. The currency giving rise to this risk is the USD. AUKF does not use any instruments to hedge its foreign currency risk.

(d) Interest rate risk

AUKF generates only interest income from short term investments. The interest income presented in the profit or loss includes interest on financial assets.

Below is the analysis of financial assets and liabilities:

	As at June 30, 2014			As at June 30, 2013		
	Interest bearing	Non – interest bearing In EUR	Total	Interest bearing	Non – interest bearing In EUR	Total
Assets						
Accounts receivable	-	139,695	139,695	-	270,694	270,694
Deposits with AUKF-NY	-	737,299	737,299	-	662,617	662,617
Short term investments	1,327,335	-	1,327,335	489,096	-	489,096
Cash and bank balances	-	450,544	450,544	-	687,155	687,155
	1,327,335	1,327,538	2,654,873	489,096	1,620,466	2,109,562
Liabilities						
Trade and other payables	-	67,963	67,963	-	374,618	374,618
	-	67,963	67,963	-	374,618	374,618

22. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair values due to short term nature of respective assets and liabilities.

23. CONTINGENCIES AND COMMITMENTS

AUKF has entered into lease commitments for TDI offices. Minimum lease commitments for the year ended June 30, 2014 and June 30, 2013 are composed as follows:

	June 30, 2014 (in EUR)	June 30, 2013 (in EUR)
Operating commitments of rent expenses:		
Not longer than one year	-	65,385
Total commitments	-	65,385

There are no other contingencies as at the year end.

24. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that would require either adjustments or additional disclosures in the financial statements.