

**AUK - THE AMERICAN
COLLEGE OF KOSOVA**

**Financial statements
for the year ended 30 June 2015
(with independent auditor's report thereon)**

TABLE OF CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN FUND BALANCE	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 20



KPMG Albania Shpk Kosovo Branch
6, Pashko Vasa Street
Pristina, Kosovo

Telephone +381(38)246771
Telefax +381(38)610772
E-mail al-kosovo@kpmg.com
Internet www.kpmg.al

Independent Auditors' Report

To the Board of Directors of AUK - The American College of Kosova

14 September 2015

We have audited the accompanying financial statements of AUK - The American College of Kosova ("AUK"), which comprise the statement of financial position as at 30 June 2015, the statements of profit or loss and other comprehensive income, changes in fund balance and cash flows for the year 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 give a true and fair view of the financial position of AUK as at 30 June 2015, and of 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

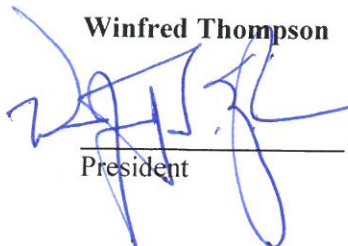
KPMG Albania Sh.p.k.- Kosovo Branch
6, Pashko Vasa Street
Pristina, Kosovo

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Financial Position as at 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	30 June 2015	30 June 2014
ASSETS			
Non-current assets			
Property and equipment	3	375,287	441,707
Intangible assets	4	6,985	22,880
Total non-current assets		<u>382,272</u>	<u>464,587</u>
Current assets			
Accounts receivable	5	160,769	139,695
Deposits	6	702,290	737,299
Cash and bank balances	7	1,516,000	1,777,879
Total current assets		<u>2,379,059</u>	<u>2,654,873</u>
TOTAL ASSETS		<u>2,761,331</u>	<u>3,119,460</u>
LIABILITIES AND RESERVES			
Current liabilities			
Scholarship fund	8	86,201	108,648
Deferred income: Tuition fees	9	255,688	1,108,347
Accounts payable and accrued expenses	10	129,290	67,963
Total current liabilities		<u>471,179</u>	<u>1,284,958</u>
Non-current liabilities			
Deferred income: Donated assets	3	21,496	12,607
Total non-current liabilities		<u>21,496</u>	<u>12,607</u>
Reserves			
Retained surplus		<u>2,268,656</u>	<u>1,821,895</u>
Total reserves		<u>2,268,656</u>	<u>1,821,895</u>
TOTAL LIABILITIES AND RESERVES		<u>2,761,331</u>	<u>3,119,460</u>

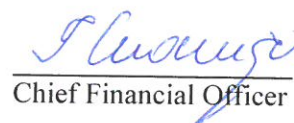
The financial statements have been signed and authorized for issue on behalf of the Board of Directors on 4 September 2015 by:

Winfred Thompson



President

Ilir Krasniqi



Chief Financial Officer

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	Year ended 30 June 2015	Year ended 30 June 2014
Revenue			
Fee income	11	3,435,430	3,299,781
Grant income	12	20,315	12,007
Interest income	13	4,143	18,484
Income from donated assets	3	7,835	5,034
Other income	14	807,385	347,718
Total revenue		4,275,108	3,683,024
Expenditures			
Staff salaries and benefits	15	(1,176,614)	(1,229,026)
Academic consulting fees	16	(1,153,842)	(1,009,534)
Training and Development Institute Direct costs ('TDI')	17	(235,742)	(139,184)
Other operating expenses	18	(1,332,206)	(1,149,065)
Provisions against doubtful receivables	5	(19,844)	(29,442)
Total expenditure		(3,918,248)	(3,556,251)
Bank charges		(8,286)	(12,957)
Foreign exchange gains/(losses)		98,187	(24,749)
Bank charges and foreign exchange net		89,901	(37,706)
Net surplus for the year		446,761	89,067
Other comprehensive income		-	-
Total comprehensive surplus for the year		446,761	89,067

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Changes in Fund Balance for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Retained surplus	Total Reserves
Balance as at 1 July 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 30 June 2014	1,821,895	1,821,895
Net surplus for the year	446,761	446,761
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	<u>446,761</u>	<u>446,761</u>
Balance as at 30 June 2015	<u>2,268,656</u>	<u>2,268,656</u>

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Cash Flows for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	Year ended 30 June 2015	Year ended 30 June 2014
Cash flows from operating activities			
Net surplus for the year		446,761	89,067
Adjustments for:			
Depreciation of property and equipment	3	245,197	257,865
Amortisation of intangible assets	4	16,621	23,918
Loss on write offs of property and equipment	18	-	57,725
Provision expenses for the year	18	19,844	29,442
Recoveries from bad debts during the year	5	(13,039)	(24,009)
Income from donated assets	3	(7,835)	(5,034)
Interest income	13	(4,143)	(18,484)
Operating surplus before changes in operating assets and liabilities		703,406	410,490
Changes in operating assets and liabilities			
Change in accounts receivable	5	(27,879)	125,565
Change in deposits	6	35,009	(74,682)
Change in donated assets	3	16,724	-
Change in scholarship fund	8	(22,447)	69,258
Change in deferred tuition fees	9	(852,659)	483,317
Change in accounts payable and accrued expenses	10	61,327	(306,655)
Net cash generated from operating activities		(86,519)	707,293
Cash flows from investing activities			
Interest received	13	4,143	18,484
Purchase of property and equipment	3	(183,603)	(122,384)
Loss/(gain) from disposal of property, plant and equipment		4,826	2,795
Purchase of intangible asset	4	(726)	(4,560)
Net cash used in investing activities		(175,360)	(105,665)
Net (decrease)/increase in cash and cash equivalents			
		(261,879)	601,628
Cash and cash equivalents at the beginning of the year		1,777,879	1,176,251
Cash and cash equivalents at end of year	7	1,516,000	1,777,879

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

1 INTRODUCTION

AUK - The American College of Kosova (former name was The American University in Kosovo Foundation – AUKF), is a non-profit organization registered as a Non-Governmental Organization (“NGO”) on 8 May 2002 under United Nations Interim Administration Mission in Kosovo (“UNMIK”) in accordance with Regulation No. 1999/22 on “the Registration and Operations of Non – Government Organizations in Kosovo”, which was further replaced with me Law No. 04/L-57 “On Freedom Of Association In Non-Governmental Organizations” entered into force since 29 August 2011.

AUK was founded for the purpose of establishing, supporting and operation of the American College in Kosovo. The Union Fund for the Reconstruction of Kosovo (“UFORK”) provided the initial funding for AUK. AUK is established as a four-year, institution in English language which is accredited in Kosovo. AUK offers studies in collaboration with Rochester Institute of Technology (“RIT”), which is accredited in the United States of America. The Board of Directors of AUK is composed of thirteen members. AUK’s registered office is located at the following address: Shpëtim Robaj Street NN, 10000 Pristina, Republic of Kosovo.

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 2015, and have not been applied in preparing these financial statements. AUK is assessing the potential impact on its financial statements, resulting from the application of the following changes:

IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38): The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The following new or amended standards are not expected to have a significant impact on the Company’s financial statements.

- IFRS 9 Financial Instruments
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

2.4 Currency of presentation

The reporting currency of AUK 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 AUK is provided rent-free and tax-free pursuant to a memorandum of understanding signed between AUK and the Ministry of Education, Science and Technology. Leasehold improvements paid for by AUK 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%

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

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

Grants related to assets, including non-monetary grants at fair value, are recognised when there is reasonable assurance that AUK will comply with the conditions attached to them and that the grants will be received. Grants related to these assets are presented in the statement of financial position as deferred income. Deferred income from the asset is recognised on a systematic basis in profit or loss over the useful life of the related asset.

The Germia campus premises which is being used by AUK as the educational facility is treated as a government grant in the form of a non-monetary asset. AUK have obtained such grant for no consideration and as a result have chosen to measure it at the nominal value being zero.

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

AUK 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 exempted from corporate taxation and VAT.

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

2.5.8 Retirement benefit costs

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

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

2.5.9 Financial assets and liabilities

(i) Recognition

AUK 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

AUK 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 AUK, is recognised as a separate asset or liability.

AUK 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, AUK 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.

(v) Impairment

At each reporting date AUK 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.

AUK 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.

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

2.5.9 Financial assets and liabilities (continued)

(v) Impairment (continued)

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 the statement of profit or loss and other comprehensive income 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.

2.5.10 Scholarship fund

AUK 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.

3. PROPERTY AND EQUIPMENT

	Leasehold buildings improvements	Computers and related equipment	Furniture, fixtures and equipment	Vehicles	Laptops	Total
Cost:						
As at 1 July 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 and disposal	-	-	-	-	(60,981)	(60,981)
As at 30 June 2014	828,839	255,758	92,416	63,433	792,731	2,033,177
Additions	1,470	91,998	10,494	0	79,641	183,603
Disposal	-	-	(4,240)	(16,120)	(10,434)	(30,794)
As at 30 June 2015	830,309	347,756	98,670	47,313	861,938	2,185,986
Accumulated depreciation:						
As at 1 July 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 and disposal	-	-	-	-	(461)	(461)
As at 30 June 2014	634,623	223,500	67,032	50,826	615,489	1,591,470
Charge for the year	83,003	47,874	8,237	3,690	102,393	245,197
Disposal	-	-	(3,180)	(16,120)	(6,668)	(25,968)
As at 30 June 2015	717,626	271,374	72,089	38,396	711,214	1,810,699
Net book value:						
As at 30 June 2015	112,683	76,382	26,581	8,917	150,724	375,287
As at 30 June 2014	194,216	32,258	25,384	12,607	177,242	441,707

Deferred income related to donated assets

	Year ended 30 June 2015	Year ended 30 June 2014
Balance as at 1 July	12,607	17,641
Donation received during the year	16,724	-
Release to income during the year	(7,835)	(5,034)
Balance as at 30 June	21,496	12,607

4. INTANGIBLE ASSETS

	Software
Cost	
Balance as at 1 July 2013	73,091
Additions during the year	4,560
Write offs	-
Balance as at 30 June 2014	<u>77,651</u>
Additions during the year	726
Balance as at 30 June 2015	<u>78,377</u>
Accumulated amortization	
Balance as at 1 July 2013	30,853
Amortisation for the year	23,918
Write offs	-
Balance as at 30 June 2014	<u>54,771</u>
Amortisation for the year	16,621
Balance as at 30 June 2015	<u>71,392</u>
Net book value	
As at 30 June 2015	<u>6,985</u>
As at 30 June 2014	<u>22,880</u>

5. ACCOUNTS RECEIVABLE

	30 June 2015	30 June 2014
Tuition receivables	202,423	182,795
Training and Development Institute (“TDI”) receivables	40,472	38,054
Advances and prepayments	66,418	57,214
Other receivables	6,882	10,253
Accounts receivables	316,195	288,316
Provisions against doubtful receivables	(155,426)	(148,621)
Balance as at 30 June	160,769	139,695

Net Tuition receivables balance as at 30 June 2015 represent fees for the 2014 - 2015 academic year.

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

	Year ended 30 June 2015	Year ended 30 June 2014
Balance as at 1 July	148,621	143,188
Charge for the year	19,844	29,442
Recovered during the year	(13,039)	(24,009)
Balance as at 30 June	155,426	148,621

Below is presented the aging of tuition and TDI receivables at 30 June 2015:

Receivables	Less than six month	Six months to one year	Older than one year	Total
Tuition receivables	47,353	8,432	146,638	202,423
Training and Development Institute (“TDI”) receivables	20,025	352	20,095	40,472
Other Receivables	2,786	-	4,096	6,882
Total	70,164	8,784	170,829	249,777

Below is presented the aging of tuition and TDI receivables at 30 June 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
Other Receivable	9,157	81	1,015	10,253
Total	65,991	15,475	149,636	231,102

6. DEPOSITS

	30 June 2015	30 June 2014
Deposits in with AUKF-NY	655,204	711,743
Deposits in PayPal	47,086	25,556
Balance as at 30 June	<u>702,290</u>	<u>737,299</u>

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 AUK in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUK through American University in Kosovo Foundation International (Kosovo), which is a separate legal entity from AUK. During the year ended 30 June 2015, EUR 359,367 (2014: EUR 344,537) were provided by AUKF-NY for such international technical assistance services.

Based on the agreement dated 6 January 2009 all the billings are on an actual cost basis and no surplus is charged between the entities. Deposits with AUKF-NY and deposits in PayPal in the amount of EUR 702,290 as at 30 June 2015 (30 June 2014: EUR 737,299) represent the cash transferred to AUKF-NY during 2014/2015 in excess of expenditures.

7. CASH AND BANK BALANCES

	30 June 2015	30 June 2014
Cash in hand	8,327	333
Cash at banks	1,507,673	1,777,546
Balance as at 30 June	<u>1,516,000</u>	<u>1,777,879</u>

Included in cash at banks are current accounts and deposits with flexi accounts held at local banks in Kosovo with effective interest rate between 0% -0.05% p.a. (2014: 0% -1.2% p.a.).

8. SCHOLARSHIP FUND

The scholarship fund has been created by AUK and contributed by AUK (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:

	30 June 2015	30 June 2014
As at 1 July	108,648	39,390
Donations received during the year and AUK Contribution	654,274	578,939
Scholarships granted during the year	(676,721)	(509,681)
Balance as at 30 June	<u>86,201</u>	<u>108,648</u>

The scholarships granted during the year, from AUK contributions are in amount of EUR 323,475 (2014: EUR 303,166), as specified in Note 11.

9. DEFERRED INCOME: TUITION FEES

	30 June 2015	30 June 2014
Undergraduate	138,370	995,399
TDI	18,147	17,257
Summer program	99,171	95,691
Balance as at 30 June	<u>255,688</u>	<u>1,108,347</u>

Deferred tuition fees relate to fees received for courses, which are to be held in future semesters. Undergraduate deferred fees decreased due to extension of payment deadline for the academic year 2015-2016, from April 2015 to August 2015.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	30 June 2015	30 June 2014
Accounts payable	104,874	63,736
Accrued expenses	24,416	4,227
Balance as at 30 June	<u>129,290</u>	<u>67,963</u>

11. FEE INCOME

	Year ended 30 June 2015	Year ended 30 June 2014
Earned revenue – Undergraduate program	3,431,632	3,348,089
Revenue from TDI	327,273	254,858
AUK Contribution to scholarship fund	(323,475)	(303,166)
	<u>3,435,430</u>	<u>3,299,781</u>

A Scholarship Fund is allocated each year by AUK to be given to students fulfilling certain criteria (note 2.5.10). Contributions to scholarship fund also include wages paid to students as part of student's working hours program, which was EUR 18,603 in 2015 (2014: EUR 19,394).

12. GRANT INCOME

During the year ended 30 June 2015, AUK received donations of EUR 20,315 (2014: EUR 12,007) mainly from the AUK Board of Trustees.

13. INTEREST INCOME

Interest income in the amount of EUR 4,143 (2014: EUR 18,484) consists of interest earned on investments and bank balances.

14. OTHER INCOME

	Year ended 30 June 2015	Year ended 30 June 2014
Special Program/USAID TLP	404,697	20,645
Special Program/Summer Program	196,431	230,630
Income from rent	15,475	21,030
Other income	190,782	75,413
	<u>807,385</u>	<u>347,718</u>

Special Program/USAID TLP consist of income earned pursuant to a Cooperative Agreement between the U.S. Agency for International Development (“USAID”), and AUK, whereby AUK is awarded with funds in order to provide support for the “Transformational Leadership Immersion & Public Service Courses Program”. The agreement has been effective from April 24, 2014, and the estimated completion date of the award is April 24, 2019.

15. STAFF SALARIES AND BENEFITS

	Year ended 30 June 2015	Year ended 30 June 2014
Faculty salaries	561,468	609,590
Staff salaries	499,393	477,822
Pension contributions	40,632	39,488
TDI salaries	39,480	65,076
Health insurance	34,841	35,790
Per Diem	800	1,260
	<u>1,176,614</u>	<u>1,229,026</u>

The number of employees as at 30 June 2015 is 95 (2014: 85).

16. 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 21 January 2013 between AUK and RIT for the provision of experts and certain specific educational services by RIT to AUK.

17. TDI DIRECT COST

	Year ended 30 June 2015	Year ended 30 June 2014
Teach ECDL Project (MEST Contract)	152,386	-
IT, Business and Management Courses	83,356	139,184
	<u>235,742</u>	<u>139,184</u>

Expenditure for the “Teach European Computer Driving License” (“Teach ECDL”) Project consist of direct costs incurred by the Training and Development Institute (“TDI”), attributable to the agreement with the Ministry of Education, Science and Technology (“MEST”) to offer computer skills trainings to public schools teachers of the Republic of Kosovo. The project has started from May 2014, and was terminated in April 2015.

18. OTHER OPERATING EXPENSES

	Year ended 30 June 2015	Year ended 30 June 2014
Special programs/Summer Program	540,604	198,823
Depreciation	245,197	257,865
Marketing costs	87,156	77,465
Repairs and maintenance	77,556	87,437
Security costs	75,636	75,758
Telephone and internet	55,919	47,729
Utilities	46,866	50,660
U.S.A. office costs	36,934	32,348
Academic events	30,778	29,601
Office supplies	30,653	26,538
Audit and legal fees	30,494	37,516
Amortisation	16,621	23,918
Travel expenses	10,414	11,317
Energy and fuel costs	9,896	9,803
Admission test fee	6,854	3,389
Faculty housing costs	3,600	18,450
Rent Expenses	-	69,231
Property and equipment write off and disposal	(6,241)	57,725
Other expenses	33,269	33,492
Total	1,332,206	1,149,065

19. 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 30 June 2015	Year ended 30 June 2014
Key management personnel compensation	189,350	170,661

Included in accounts payable as at 30 June 2015 are EUR 15,774 (2014: EUR 14,657) which relate to the 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 3,625 (2014: EUR 11,623) donated by members of AUK Board of Trustees, and management.

20. GERMIA CAMPUS PREMISES

Pursuant to a Memorandum of Understanding signed between AUK and the Ministry of Education, Science and Technology of Kosova, formalised by a contract between AUK and the Municipality of Pristina, AUK 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 AUK will have use of the site on a rent-free and tax-free status during this period. The decision to renew the contract for an additional period of ten years is taken as of 29 June 2015 by the Assembly of the Municipality of Pristina.

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 AUK and the Municipality of Prishtina specifies that such renovations shall remain the property of the owner, no related costs are capitalised by AUK except for those costs incurred by AUK itself as explained under Note 3.

21. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

Credit risk is the risk of financial loss to AUK if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the AUK’s receivables and from customers. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at the reporting date was:

	30 June 2015	30 June 2014
Accounts receivable	160,769	139,695
Deposits	702,290	737,299
Cash and bank balances	1,516,000	1,777,879
As at 30 June	<u>2,379,059</u>	<u>2,654,873</u>

(ii) Management of credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the AUK will not be able to meet its financial obligations as they fall due. AUK’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.

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following are the contractual maturities of financial assets and liabilities including interest payments as at 30 June 2015 and 2014:

	Carrying Amounts	6 Months or less	6-12 months	1-5 Years	More than 5 Years
<i>Financial assets</i>					
Accounts receivable	160,769	160,769	-	-	-
Deposits	702,290	702,290	-	-	-
Cash and bank balances	1,516,000	1,516,000	-	-	-
	2,379,059	2,379,059	-	-	-
<i>Financial liabilities</i>					
Scholarship fund	(86,201)	(86,201)	-	-	-
Accounts payable and accrued expenses	(129,290)	(129,290)	-	-	-
	(215,491)	(215,491)	-	-	-
Liquidity risk at 30 June 2015	2,163,568	2,163,568	-	-	-

	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	737,299	737,299	-	-	-
Cash and bank balances	1,777,879	1,777,879	-	-	-
	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	-	-	-

(c) Foreign currency risk

Transactions in foreign currencies are translated to the AUK'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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

The AUK's exposure to foreign currency risk as translated in EUR is as follows:

	30 June 2015		30 June 2014	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Accounts receivable	160,769	-	139,695	-
Deposits	150,021	552,269	173,745	563,554
Cash and bank balances	1,456,816	59,184	1,677,611	100,268
	1,767,606	611,453	1,991,051	663,822
Scholarship fund	(86,201)	-	(108,648)	-
Accounts payable and accrued expenses	(129,290)	-	(67,963)	-
As at 30 June	1,552,115	611,453	1,814,440	663,822

AUK 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. AUK does not use any instruments to hedge its foreign currency risk.

An analysis of AUK's sensitivity to an increase or decrease in foreign currency rates is as follows:

	2015	2014
Sensitivity rates	5%	5%
Profit or loss		
+5% of Euro	72,729	74,982
- 5% of Euro	(72,729)	(74,982)

(d) Interest rate risk

AUK 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:

	30 June 2015			30 June 2014		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
Assets						
Accounts receivable	-	160,769	160,769	-	139,695	139,695
Deposits	-	702,290	702,290	-	737,299	737,299
Cash and bank balances	1,242,142	273,858	1,516,000	1,327,335	450,544	1,777,879
	1,242,142	1,136,917	2,379,059	1,327,335	1,327,538	2,654,873
Liabilities						
Scholarship fund	-	86,201	86,201	-	108,648	108,648
Accounts payable and accrued expenses	-	129,290	129,290	-	67,963	67,963
	-	215,491	215,491	-	176,611	176,611

21. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate risk (continued)

An analysis of AUK's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

Year ended 30 June 2015		
	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	12,421	(12,421)
Year ended 30 June 2014		
	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	13,273	(13,273)

(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.

22. COMMITMENTS AND CONTINGENCIES

AUK has no contingencies as at the year end.

23. 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.