



**AMERICAN UNIVERSITY  
IN KOSOVO FOUNDATION**

Independent Auditor's Report and financial statements  
for the year ended June 30, 2008

**AMERICAN UNIVERSITY IN KOSOVO FOUNDATION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of American University in Kosovo Foundation ("AUKF"), which comprise the balance sheet as at June 30, 2008, and the statement of revenue and expenditure, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's 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 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 the auditor's 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, the auditor considers 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 of AUKF present fairly, in all material respects, the financial position of AUKF as at June 30, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Prishtina, Kosova  
December 5, 2008

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

**Balance Sheet**

For the year ended June 30, 2008

	Notes	June 30, 2008 (in EUR)	June 30, 2007 (in EUR)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	3	817,806	934,539
Intangible assets	4	10,484	12,631
Total non-current assets		828,290	947,170
<b>Current assets</b>			
Accounts receivable	5	198,379	396,448
Held to maturity investments	6	455,843	234,400
Cash and bank balances	7	655,817	1,058,943
Total current assets		1,310,039	1,689,791
<b>TOTAL ASSETS</b>		<b>2,138,329</b>	<b>2,636,960</b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current liabilities</b>			
Deferred revenue : Tuition fees	8	41,943	104,150
Accounts payable and accrued expenses	9	104,871	149,708
Total current liabilities		146,814	253,858
<b>Reserves</b>			
Retained surplus		1,991,515	2,383,102
Total reserves		1,991,515	2,383,102
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>2,138,329</b>	<b>2,636,960</b>

The financial statements have been signed and authorised for issue on behalf of Board of Directors on December 5, 2008 by:

**Christopher G. L. Hall**

**Ilir Krasniqi**

\_\_\_\_\_  
President

\_\_\_\_\_  
Chief Financial Officer

The accompanying notes from 1 to 18 form an integral part of these financial statement

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Statement of Revenue and expenditures**  
For the year ended June 30, 2008

	Notes	Year ended June 30, 2008 (in EUR)	Year ended June 30, 2007 (in EUR)
<b>Revenue</b>			
Fee	10	2,338,640	2,359,160
Grant income	11	-	35,165
Interest income		42,958	48,452
Income from donated assets	3	-	14,446
Other revenues		31,058	11,358
Gain on sale of asset		-	1,533
<b>Total revenue</b>		<b>2,412,656</b>	<b>2,470,114</b>
<b>Expenditure</b>			
Staff salaries and benefits	13	916,639	836,514
Faculty housing costs		32,403	32,575
Rent		8,000	-
Academic consulting fees	12	895,277	1,121,816
Marketing costs		67,442	87,175
Telephone and internet		32,144	56,663
Energy and fuel costs		28,839	17,829
Repairs and maintenance		24,794	23,030
Depreciation	3	233,212	212,553
Amortisation of intangible assets	4	5,880	4,154
Property & equipment write off		5,017	-
Office supplies		37,722	43,233
Admission test fee		72,401	62,773
AUKF U.S.A. office costs		57,181	73,587
Audit and legal fees		19,949	15,941
Travel expenses		18,181	20,925
Security costs		65,130	44,320
Academic events		36,266	19,679
Utilities		92,673	70,778
Bank charges		9,451	8,381
Write off of Bad debts	5	21,604	11,940
Provisions against doubtful receivables	5	60,455	6,083
Miscellaneous		63,583	20,638
<b>Total expenditure</b>		<b>2,804,243</b>	<b>2,790,587</b>
<b>Net deficit for the year</b>		<b>(391,587)</b>	<b>(320,473)</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Statement of Changes in Net Assets**  
**For the year ended June 30, 2008**

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	<b>Retained surplus (in EUR)</b>	<b>Total Reserves (in EUR)</b>
<b>Balance as at July 1, 2006</b>	<b>2,703,575</b>	<b>2,703,575</b>
Net deficit for the year ended June 30, 2007	<u>(320,473)</u>	<u>(320,473)</u>
<b>Balance as at June 30, 2007</b>	<b>2,383,102</b>	<b>2,383,102</b>
Net deficit for the year ended June 30, 2008	<u>(391,587)</u>	<u>(391,587)</u>
<b>Balance as at June 30, 2008</b>	<b><u>1,991,515</u></b>	<b><u>1,991,515</u></b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**Statement of Cash Flows****For the year ended June 30, 2008**

	<b>Year ended June 30, 2008 (in EUR)</b>	<b>Year ended June 30, 2007 (in EUR)</b>
<b>Cash flows from operating activities</b>		
Net deficit for the year	(391,587)	(320,473)
Adjustments for:		
Depreciation of property and equipment	233,212	212,553
Amortisation of intangible assets	5,880	4,154
Loss / (Gain) on disposal of property	5,017	(1,533)
Provision/write offs against receivables	82,059	18,023
Grant revenue	-	(35,165)
Release of deferred income on donated assets	-	(14,446)
Interest income	(42,958)	(48,452)
<b>Operating loss before changes in operating assets and liabilities</b>	<b>(108,377)</b>	<b>(185,339)</b>
<b>Changes in operating assets and liabilities</b>		
Decrease / (increase) in accounts receivable	105,931	(115,627)
Decrease in deferred revenue: tuition fees	(62,207)	(60,900)
(Decrease) / increase in accounts payable and accrued expenses	(44,836)	109,838
<b>Net cash used in operating activities</b>	<b>(109,489)</b>	<b>(252,028)</b>
<b>Cash flows from investing activities</b>		
Interest received	53,036	42,920
Purchase of property and equipment	(121,496)	(205,543)
Purchase of intangible asset	(3,734)	(16,785)
Disposal proceeds from sale of asset	-	1,533
Increase in held to maturity investments	(221,443)	-
<b>Net cash used in investing activities</b>	<b>(293,637)</b>	<b>(177,875)</b>
<b>Cash flows from financing activities</b>		
Grant received	-	35,165
<b>Net cash from financing activities</b>	<b>-</b>	<b>35,165</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(403,126)</b>	<b>(430,784)</b>
Cash and cash equivalents at the beginning of the year	1,058,943	1,489,727
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>655,817</b>	<b>1,058,943</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**Notes to the Financial Statements**

**For the year ended June 30, 2008**

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**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 Organisation in Kosova".

The 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, the 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 six Americans and three Kosovars as directors and is managing AUKF.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention.

**2.2 Currency of presentation**

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

**2.3 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective;

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investments on first-time adoption	Effective for annual periods beginning on or after January 1, 2009
IFRS 2 Share-based payment – Amendment relating to vesting conditions and cancellations	Effective for annual periods beginning on or after January 1, 2009
IFRS 3 Business Combinations	Effective for annual periods beginning on or after July 1, 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued operations – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after July 1, 2009
IFRS 8 Operating segments	Effective for annual periods beginning on or after January 1, 2009

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after January 1, 2009
IAS 1 Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligation arising on liquidation	Effective for annual periods beginning on or after January 1, 2009
IAS 1 Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 16 Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 19 Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 20 Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 23 Borrowing Costs – Comprehensive revision to prohibit immediate expensing	Borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009
IAS 23 Borrowing Costs – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	Effective for annual periods beginning on or after July 1, 2009
IAS 27 Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after January 1, 2009
IAS 27 Consolidated and Separate Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS 3	Effective for annual periods beginning on or after July 1, 2009
IAS 28 Investments in Associates – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 29 Financial Reporting in Hyperinflationary Economies – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	Effective for annual periods beginning on or after July 1, 2009

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

IAS 31 Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after January 1, 2009
IAS 36 Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 38 Intangible Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 39 Financial Instruments – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 40 Investment Property – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IAS 41 Agriculture – Amendments resulting from May 2008 Annual Improvements to IFRSs	Effective for annual periods beginning on or after January 1, 2009
IFRIC 13 Customer Loyalty Program	Effective for annual periods beginning on or after July 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate	Effective for annual periods beginning on or after January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Effective for annual periods beginning on or after October 1, 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of AUKF.

**2.4 Significant accounting policies**

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

**2.4.1 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are considered to be cash on hand and at banks and in operating accounts at banks with an original maturity of three months or less.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**2.4.2 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 expenditure. 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.

Capital expenditure on assets in the course of construction where engineering drawings are complete or where the AUKF has obtained a licence for development from the official authorities or has commenced construction works thereon are deferred as Assets under Construction. If the project is completed, such costs are capitalised and transferred to the appropriate asset category from which time depreciation is charged using the rate applicable to the category concerned, or if the project is abandoned such costs are subsequently charged to statement of revenues and expenditure.

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 the statement of revenue and expenditure 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 buildings improvements	10%
Computers and related equipment	33%
Furniture, fixtures and equipment	20%
Vehicles	20%

Depreciation is provided from the month of addition and no depreciation is provided in the month of disposal.

**2.4.3 Intangible assets**

Expenditure incurred on intangible asset is capitalised and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight-line method over its useful life.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed off.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**2.4.4 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 balance sheet date. Profits and losses arising on translation are recorded in the statement of revenue and expenditure in the period in which they arose.

**2.4.5 Grants related to assets**

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 balance sheet 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.

**2.4.6 Grants related to income**

Grants related to income are recognised as income based on the accrual principle in the period in which the related expenditure is incurred for which the grant is being given. Grants received as general grants without conditions are taken to the statement of revenue and expenditure in the period in which they are received.

**2.4.7 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 accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

**2.4.8 Taxation**

The AUKF was established as a non-profit organisation under UNMIK regulations. Based on the laws in force in Kosova, it is exempt from corporate taxation on revenues generated and profits earned.

**2.4.9 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.

**2.4.10 Retirement benefit costs**

The 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**2.4.11 Financial assets**

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity investments’, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’.

*Held to maturity*

Time deposits with fixed or determinable payments and fixed maturity dates that AUKF has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

**2.4.12 Impairment of assets**

Impairment of the AUKF’s assets is assessed based on the provisions of IAS No. 36 “Impairment of Assets.” IAS No. 36 requires an impairment loss to be recognised whenever the carrying value of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its net selling price and its value in use. Value in use is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

**2.4.13 Scholarship fund**

AUKF is holding scholarship fund as a custodian provided by various governmental, non-governmental organisations and AUKF for the cost of student education at the University and is treated as off balance sheet. The funds are awarded to students qualifying for a scholarship under the criteria set out by various donor organisations.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

**3. PROPERTY AND EQUIPMENT**

	Leasehold buildings improvements (in EUR)	Computers and related equipment (in EUR)	Furniture, fixtures and equipment (in EUR)	Vehicles (in EUR)	Assets under construction* (in EUR)	Total (in EUR)
<b>Cost</b>						
As at July 01, 2007	163,036	368,737	119,422	54,948	500,546	1,206,689
Additions	25,111	66,676	55,233	3,393	64,700	215,113
Transfers	535,935	-	29,311	-	(565,246)	-
Disposals	-	**(61,030)	-	(14,723)	-	(75,753)
As at July 01, 2008	<b>724,082</b>	<b>374,383</b>	<b>203,966</b>	<b>43,618</b>	-	<b>1,346,049</b>
Additions	7,884	84,954	26,908	1,750	-	121,496
Transfers	-	-	-	-	-	-
Write offs	-	-	-	(8,600)	-	(8,600)
<b>As at June 30, 2008</b>	<b>731,966</b>	<b>459,337</b>	<b>230,874</b>	<b>36,768</b>	-	<b>1,458,945</b>
<b>Accumulated depreciation</b>						
As at July 01, 2007	13,385	153,850	43,516	19,031	-	229,782
Charge for the year	72,538	100,949	28,164	10,902	-	212,553
Relating to disposals	-	(20,140)	-	(10,685)	-	(30,825)
As at July 01, 2008	<b>85,923</b>	<b>234,659</b>	<b>71,680</b>	<b>19,248</b>	-	<b>411,510</b>
Charge for the year	71,033	109,609	44,428	8,142	-	233,212
Write offs	-	-	-	(3,583)	-	(3,583)
<b>As at June 30, 2008</b>	<b>156,956</b>	<b>344,268</b>	<b>116,108</b>	<b>23,807</b>	-	<b>641,139</b>
<b>Net book value As at June 30, 2008</b>	<b>575,010</b>	<b>115,069</b>	<b>114,766</b>	<b>12,961</b>	-	<b>817,806</b>
<b>As at June 30, 2007</b>	<b>638,159</b>	<b>139,724</b>	<b>132,286</b>	<b>24,370</b>	-	<b>934,539</b>

\* Assets under construction relate to the costs incurred by AUKF up to the balance sheet date in respect of the reconstruction and renovation of a new restaurant and residential building situated on the Germia Campus premises, which is completed in September 2006 and transferred to Leasehold buildings improvements.

\*\* IT equipment donated by the IPKO Institute in the amount of EUR 61,030 in 2006 has been recollected by IPKO. Revenues relating to donated assets are recognised in parallel with the related depreciation charge applied upon the asset.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**3. PROPERTY AND EQUIPMENT (continued)**

**Deferred income related to donated assets**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Opening balance at the beginning of the year	-	55,336
Release to income during the year	-	(14,446)
Discharge of deferred income on repossession by the donor	-	(40,890)
	<u>-</u>	<u>(40,890)</u>
Closing balance at the end of the year	<u>-</u>	<u>-</u>

**4. INTANGIBLE ASSET**

	<b>June 30, 2008 (in EUR)</b>
<b>Cost</b>	
Balance as at July 1, 2006	16,785
Purchase of software	-
<b>Balance as at July 1, 2007</b>	<u>16,785</u>
Purchase of software	3,734
	<u>20,519</u>
<b>Accumulated amortization</b>	
Balance as at July 1, 2006	-
Amortisation for the year	(4,155)
<b>Balance as at July 1, 2007</b>	<u>(4,155)</u>
Amortisation for the year	(5,880)
<b>Accumulated amortization</b>	<u>(10,035)</u>
<b>Net book value</b>	<u>10,484</u>

**5. ACCOUNTS RECEIVABLE**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Considered good - fee receivable	159,024	383,741
Accrued interest	-	10,079
Advances and prepayments	35,372	3,151
Considered doubtful - fee receivables	92,125	19,500
<b>Accounts receivables</b>	<u>286,521</u>	<u>416,471</u>
Provisions against doubtful receivables	(66,538)	(6,083)
Write off of Bad debts	(21,604)	(11,940)
<b>Total accounts receivables</b>	<u>198,379</u>	<u>396,448</u>

Fees receivable from students represents fee for 2007 - 2008 academic year.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**6. HELD TO MATURITY INVESTMENTS**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Time deposits in local bank	455,843	234,400
<b>Total held to maturity investments</b>	<b>455,843</b>	<b>234,400</b>

The time deposit is held at a local bank at effective interest rate of 3.02% p.a. (2007: 4.3% p.a.)

**7. CASH AND BANK BALANCES**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Cash in hand	6,597	4,294
Cash at banks	-	
- in current accounts	77,565	150,874
- in deposit account	571,655	903,775
	<b>655,817</b>	<b>1,058,943</b>

The deposit account held in a foreign bank carries interest in the range of 0.20% to 0.30% per month (2007: 0.13% to 0.30% per month). There is EUR 5,000 as restricted cash in a local bank against a bank guarantee expired on June 30, 2008.

**8. DEFERRED REVENUE: TUITION FEES**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Balance as at July 1	104,150	165,050
Tuition fees received during the year	2,196,101	2,201,074
Earned during the year – fee for Undergraduate program	(2,090,484)	(1,867,286)
Earned during the year – fee for Master program	(167,824)	(394,688)
<b>Balance of deferred revenue</b>	<b>41,943</b>	<b>104,150</b>

Deferred revenue – tuition fee relates to the fee received for the courses which are to be held in the next semesters of the course.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b>June 30, 2008 (in EUR)</b>	<b>June 30, 2007 (in EUR)</b>
Accounts payable	68,321	62,629
Accrued expenses	<u>36,550</u>	<u>87,079</u>
Total accounts payable and accrued expenses	<u><b>104,871</b></u>	<u><b>149,708</b></u>

**10. FEE**

	<b>Note</b>	<b>Year ended June 30, 2008 (in EUR)</b>	<b>Year ended June 30, 2007 (in EUR)</b>
Earned revenue – Undergraduate program	<b>8</b>	2,090,484	1,867,286
Earned revenue – Masters program	<b>8</b>	167,824	394,688
Revenue from AUK Institute		276,595	262,476
Fee received from applications		28,737	9,710
Contribution to scholarship fund		<u>(225,000)</u>	<u>(175,000)</u>
<b>Total fee</b>		<u><b>2,338,640</b></u>	<u><b>2,359,160</b></u>

University funded scholarship is allocated to the Scholarship Fund by AUKF to be given to worthy students fulfilling certain criteria.

**11. GRANT INCOME**

During the year ended June 30, 2007, AUKF has received donations of EUR 35,165 from various donors.

**12. 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 the RIT to the AUKF.

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**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**13. STAFF SALARIES AND BENEFITS**

	Note	Year ended June 30, 2008 (in EUR)	Year ended June 30, 2007 (in EUR)
Staff and Faculty salaries and benefits		855,676	764,046
Staff pension contributions		20,788	18,680
Bonus		5,958	53,788
Staff health insurance		34,217	-
<b>Total fee</b>		<b>916,639</b>	<b>836,514</b>

**14. 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.

The remuneration of the President is determined by the Board of Directors having regard to the performance of individuals and market trends. The remuneration paid during the year was EUR 110,000 (2007: EUR 100,000).

**15. SCHOLARSHIP FUND**

Scholarship fund has been created and contributed into by AUKF, the Ministry of Economy and Finance and other donors, to fund the cost of student fee which meet the criteria agreed with the donor (Note 2.4.13).

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

	June 30, 2008 (in EUR)	June 30, 2007 (in EUR)
As at July 1	50,839	53,766
Donations received during the year	474,974	389,016
Scholarships granted during the year	(428,396)	(391,943)
	<b>97,417</b>	<b>50,839</b>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**16. GERMIA CAMPUS PREMISES**

Pursuant to a Memorandum of Understanding signed between the AUKF and the Ministry of Education, Science and Technology of Kosova, formalised by a contract between the AUKF and the Municipality of Prishtina, the 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 the 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 the 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 the AUKF and the Municipality of Prishtina specifies that such renovations shall remain the property of the owner, no related costs are capitalised by the AUKF except for those costs incurred by the AUKF itself as explained under Note 3.

**17. RISK MANAGEMENT**

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. AUKF is exposed to credit risk in respect of tuition fees receivable from its students. Appropriate measures are taken to follow up the receivables with the students through their progression in their education.

*Interest rate risk*

The AUKF is exposed to interest rate risk only in respect of its time deposits maintained at the balance sheet date, which earn interest at market rates. Interest margins may increase as a result of changes in market interest rates but may reduce or create losses in the event that unexpected movements arise.

*Foreign exchange risk*

The AUKF is exposed to foreign exchange risk as transactions are undertaken both in local and foreign currency. Management monitors and sets limits on the level of such exposure by currency and in total. The AUKF does not speculate in or engage in the trading of derivative financial instruments.

*Liquidity risk*

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The AUKF monitors its liquidity on a periodic basis in order to manage its obligations as and when they shall become due.

*Fair value of financial instruments*

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION  
**Notes to the Financial Statements (continued)**  
**For the year ended June 30, 2008**

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**18. CONTINGENCIES AND COMMITMENTS**

There are no contingencies as at the year end.

Following are the commitment.

	<b>June 30, 2008 (in EUR)</b>
Commitment of rent expenses;	
Not longer than one year	26,286
Longer than year and not longer than five years	47,620
<b>Total commitments</b>	<b>73,906</b>