



**AMERICAN UNIVERSITY
IN KOSOVO FOUNDATION**

Independent Auditor's Report and financial statements
for the year ended June 30, 2009

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

TABLE OF CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	
BALANCE SHEET	1
STATEMENT OF REVENUE AND EXPENDITURES	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 18

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the American University in Kosovo Foundation ("AUKF"), which comprise the balance sheet as at June 30, 2009, 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, 2009, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Prishtina, Kosova
July 31, 2009

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Balance Sheet
As at June 30, 2009

	Notes	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
ASSETS			
Non-current assets			
Property and equipment	3	1,018,461	817,806
Intangible assets	4	34,235	10,484
Restricted deposit	11	380,000	-
Total non-current assets		<u>1,432,696</u>	<u>828,290</u>
Current assets			
Accounts receivable	5	157,798	198,379
Other receivables	6	504,720	-
Held to maturity investments	7	153,258	455,843
Cash and bank balances	8	122,783	655,817
Total current assets		<u>938,559</u>	<u>1,310,039</u>
TOTAL ASSETS		<u>2,371,255</u>	<u>2,138,329</u>
LIABILITIES AND RESERVES			
Current liabilities			
Borrowings – current portion	11	94,777	-
Deferred revenue : Tuition fees	9	118,992	41,943
Accounts payable and accrued expenses	10	22,239	104,871
Total current liabilities		<u>236,008</u>	<u>146,814</u>
Non current liabilities			
Borrowings – non current portion	11	201,459	-
Deferred revenue: Donated vehicle	3	14,239	-
Total non-current liabilities		<u>215,698</u>	<u>-</u>
Reserves			
Retained surplus		<u>1,919,549</u>	<u>1,991,515</u>
Total reserves		<u>1,919,549</u>	<u>1,991,515</u>
TOTAL LIABILITIES AND RESERVES		<u>2,371,255</u>	<u>2,138,329</u>

The financial statements have been signed and authorised for issue on behalf of Board of Directors on July 31, 2009 by:

Christopher G. L. Hall

Ilir Krasniqi

 President

 Chief Financial Officer

The accompanying notes from 1 to 22 form an integral part of these financial statements

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Revenue and expenditures
For the year ended June 30, 2009

	Notes	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Revenue			
Fee income	12	3,093,491	2,338,640
Grant income	13	70,338	-
Interest income, net	14	15,530	42,958
Income from donated assets	3	1,881	-
Other revenues	15	64,292	31,058
Total revenue		3,245,532	2,412,656
Expenditures			
Staff salaries and benefits	16	1,062,921	916,639
Faculty housing costs		19,200	32,403
Rent		25,333	8,000
Academic consulting fees	17	1,148,236	895,277
Marketing costs		65,620	67,442
Telephone and internet		32,711	32,144
Energy and fuel costs		27,774	28,839
Repairs and maintenance		41,556	24,794
Depreciation	3	287,164	233,212
Amortisation of intangible assets	4	17,397	5,880
Property & equipment write off		39,411	5,017
Office supplies		34,098	37,722
Admission test fee		170,026	72,401
AUKF U.S.A. office costs		22,194	57,181
Audit and legal fees		19,445	19,949
Travel expenses		19,306	18,181
Security costs		76,860	65,130
Academic events		35,202	36,266
Utilities		85,212	92,673
Bank charges		16,600	9,451
Bad debts written off	5	129	21,604
Provisions against doubtful receivables	5	18,227	60,455
Miscellaneous		52,876	63,583
Total expenditure		3,317,498	2,804,243
Net deficit for the year		(71,966)	(391,587)

The accompanying notes from 1 to 22 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, 2009

	Retained surplus (in EUR)	Total Reserves (in EUR)
Balance as at July 1, 2007	2,383,102	2,383,102
Net deficit for the year	(391,587)	(391,587)
Balance as at June 30, 2008	1,991,515	1,991,515
Net deficit for the year	(71,966)	(71,966)
Balance as at June 30, 2009	1,919,549	1,919,549

The accompanying notes from 1 to 22 form an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

Statement of Cash Flows

For the year ended June 30, 2009

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Cash flows from operating activities		
Net deficit for the year	(71,966)	(391,587)
Adjustments for:		
Depreciation of property and equipment	287,164	233,212
Amortisation of intangible assets	17,397	5,880
Loss on disposal of property and equipment	39,411	5,017
Provision/write offs against receivables	18,356	82,059
Bad debts reversed/recovered during the year	(36,573)	-
Income from donated asset	(1,881)	-
Interest expense	12,528	-
Interest income	(28,058)	(42,958)
Operating profit/(loss) before changes in operating assets and liabilities	236,378	(108,377)
Changes in operating assets and liabilities		
Decrease in accounts receivable	58,800	105,931
Increase in other receivables	(504,721)	-
Increase in restricted deposit	(380,000)	-
Increase/(decrease) in deferred revenue: tuition fees	77,049	(62,207)
(Decrease) in accounts payable and accrued expenses	(82,632)	(44,836)
Net cash used in operating activities	(595,126)	(109,489)
Cash flows from investing activities		
Interest received	28,058	53,036
Purchase of property and equipment	(511,110)	(121,496)
Purchase of intangible asset	(41,149)	(3,734)
Decrease/(increase) in held to maturity investments	302,585	(221,443)
Net cash used in investing activities	(221,616)	(293,637)
Cash flows from financing activities		
Loans obtained during the year	380,000	-
Loans repaid during the year	(83,764)	-
Interest paid	(12,528)	-
Net cash from financing activities	283,708	-
Net decrease in cash and cash equivalents	(533,035)	(403,126)
Cash and cash equivalents at the beginning of the year	655,817	1,058,943
Cash and cash equivalents at end of year (note 8)	122,783	655,817

The accompanying notes from 1 to 22 form 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention as modified by the revaluation of appropriate financial assets and liabilities.

2.2 Statement of compliance

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

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009),
- IFRS 3 (revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009),
- IFRS 1 (revised) "First-time Adoption of IFRS" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IAS 27 "Consolidated and Separate financial statements" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate financial statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

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

2.3 Standards and Interpretations in issue not yet adopted (Continued)

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of financial statements” – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009),
- IAS 1 (revised) “Presentation of financial statements” – A revised presentation (effective for annual periods beginning on or after 1 January 2009),
- IAS 23 (revised) “Borrowing Costs” (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” -Embedded Derivatives (effective for annual periods ending on or after 30 June 2009),
- IFRIC 13 “Customer Loyalty Programmes” (effective for annual periods beginning on or after 1 July 2008),
- IFRIC 15 “Agreements for the Construction of Real Estate” (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October 2008),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after 1 July 2009).

AUKF has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. AUKF anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of AUKF in the period of initial application.

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 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 unrestricted cash at banks and in operating accounts at banks with an original maturity of three months or less.

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

2.5.2 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 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.

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 revenue and expenditures.

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 expenditures 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%
Notebooks (Laptops)	25%
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.

2.5.3 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5.4 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 expenditures in the period in which they arose.

2.5.5 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.

2.5.6 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 expenditures in the period in which they are received.

2.5.7 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.

2.5.8 Taxation

The 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 Kosova, it is exempt from corporate taxation.

2.5.9 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.

2.5.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5.11 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.

2.5.12 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.

2.5.13 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, 2009

3. PROPERTY AND EQUIPMENT

	Leasehold buildings improvements (in EUR)	Computers and related equipment (in EUR)	Furniture, fixtures and equipment (in EUR)	Vehicles (in EUR)	Notebooks (in EUR)	Total (in EUR)
Cost:						
As at July 1, 2007	724,082	374,383	203,966	43,618	-	1,346,049
Additions	7,884	84,954	26,908	1,750	-	121,496
Write offs	-	-	-	(8,600)	-	(8,600)
As at July 1, 2008	731,966	459,337	230,874	36,768	-	1,458,945
Additions	34,055	37,711	27,019	*44,982	383,463	527,230
Write offs	-	-	-	(17,917)	**(50,303)	(68,220)
As at June 30, 2009	766,021	497,048	257,893	63,833	333,160	1,917,955
Accumulated depreciation:						
As at July 1, 2008	85,923	234,659	71,680	19,248	-	411,510
Charge for the year	71,033	109,609	44,428	8,142	-	233,212
Write offs	-	-	-	(3,583)	-	(3,583)
As at July 1, 2008	156,956	344,268	116,108	23,807	-	641,139
Charge for the year	73,535	76,472	42,061	8,886	86,210	287,164
Write offs	-	-	-	(17,917)	(10,892)	(28,809)
As at June 30, 2009	230,491	420,740	158,169	14,776	75,318	899,494
Net book value:						
As at June 30, 2009	535,530	76,308	99,724	49,057	257,842	1,018,461
As at June 30, 2008	575,010	115,069	114,766	12,961	-	817,806

* Vehicle has been donated by the IPKO Net in the amount of EUR 16,120 in November 2008. Revenues relating to donated assets are recognized in parallel with the related depreciation charge applied upon the asset.

** Included in write offs are laptops, having book value of EUR 34,326 at the date of transfer. These laptops were transferred to students based on agreement with them at notional price of EUR 1 per each laptop.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

3. PROPERTY AND EQUIPMENT (CONTINUED)

Deferred income related to donated assets

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Balance as at July 1	-	
Donation received during the year	16,120	-
Release to income during the year	(1,881)	-
Balance as at June 30	14,239	-

4. INTANGIBLE ASSET

	Software (in EUR)
Cost	
Balance as at July 1, 2007	16,785
Addition during the year	3,734
Balance as at July 1, 2008	20,519
Addition during the year	41,148
Balance as at June 30, 2009	61,667
Accumulated amortization	
Balance as at July 1, 2007	(4,155)
Amortisation for the year	(5,880)
Balance as at July 1, 2008	(10,035)
Amortisation for the year	(17,397)
Balance as at June 30, 2009	(27,432)
Net book value	
As at June 30, 2009	34,235
As at June 30, 2008	10,484

5. ACCOUNTS RECEIVABLE

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Considered good - fee receivable	76,846	159,024
Advances and prepayments	81,081	35,372
Considered doubtful - fee receivables	69,794	92,125
Accounts receivables	227,721	286,521
Provisions against doubtful receivables	(69,794)	(66,538)
Write off of bad debts	(129)	(21,604)
Total accounts receivables	157,798	198,379

Fees receivable from students as at June 30, 2009 represents fee for 2008 - 2009 academic year.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

5. ACCOUNTS RECEIVABLE (CONTINUED)

Given below is the movement of provision for doubtful receivables.

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Balance as at July 1	66,538	6,083
Charge for the year	18,227	60,455
Recovered during the year	<u>(14,971)</u>	<u>-</u>
Balance as at June 30	<u>69,794</u>	<u>66,538</u>

6. OTHER RECEIVABLES

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 Inc. (Kosovo). Based on the agreement dated January 6, 2009 all the billings will be on actual costs basis and no profit will be charged between the entities

Other receivables represent the cash transferred to AUKF New York during 2008/09 in order to cover the services described above.

7. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent deposits with flexi accounts held at local banks in Kosovo with effective interest rate of 3.02% to 3.5 % p.a. (2008: 3.02 % p.a.)

8. CASH AND BANK BALANCES

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Cash in hand	2,412	6,597
Cash at banks:		
- in current accounts	120,371	77,565
- in deposit account	<u>-</u>	<u>571,655</u>
	<u>122,783</u>	<u>655,817</u>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

9. DEFERRED REVENUE: TUITION FEES

	2009 (in EUR)	2008 (in EUR)
Balance as at July 1	41,943	104,150
Tuition fees received during the year	3,014,245	2,196,101
Earned during the year – fee for Undergraduate program	(2,646,652)	(2,090,484)
Earned during the year – fee for Master program	(290,544)	(167,824)
Balance as at June 30	118,992	41,943

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

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Accounts payable	20,281	68,321
Accrued expenses	1,958	36,550
	22,239	104,871

11. BORROWINGS

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Current portion	94,777	-
Non-current portion	201,459	-
	296,236	-

During August 2008, AUKF has obtained a loan from a local bank amounting to EUR 380,000, in order to finance the purchase of notebooks. The loan is repayable in 48 months till June 2012 and carries interest at the rate of 4% per annum.

Restricted deposit:

The above loan is secured against a fixed deposit of EUR 380,000 in a margin account till the expiry of the loan. This deposit earns an interest of 2% per annum.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

12. FEE INCOME

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Earned revenue – Undergraduate program	2,646,652	2,090,484
Earned revenue – Masters program	290,544	167,824
Revenue from AUK Institute	346,034	276,595
Fee received from applications	32,623	28,737
Contribution to scholarship fund	<u>(222,362)</u>	<u>(225,000)</u>
	<u>3,093,491</u>	<u>2,338,640</u>

University funded scholarship is allocated to the Scholarship Fund by AUKF to be given to worthy students fulfilling certain criteria (note 19).

13. GRANT INCOME

During the year ended June 30, 2009, AUKF received donations of EUR 70,338 from Department of the State of United States (DoS) and RIT for operating purposes.

DoS grant agreement was approved for a total donation of USD 91,936, where during the year ended June 30, 2009, AUKF received USD 61,936. The grant was given for preparation of multimedia centre at AUKF and is valid until October 25, 2009.

14. INTEREST INCOME, NET

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Interest on investments and bank balances	28,058	42,958
Interest on borrowings	<u>(12,528)</u>	<u>-</u>
Net interest income	<u>15,530</u>	<u>42,958</u>

15. OTHER REVENUES

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Late payment fee	29,600	4,400
Income from rent	13,842	10,242
Other incomes	<u>20,850</u>	<u>16,416</u>
	<u>64,292</u>	<u>31,058</u>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

16. STAFF SALARIES AND BENEFITS

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Staff salaries	405,837	411,435
Faculty salaries	446,978	313,045
TDI salaries	115,380	131,195
Pension contributions	28,522	20,788
Bonus	34,900	5,958
Health insurance	31,304	34,218
	<u>1,062,921</u>	<u>916,639</u>

17. 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.

18. 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.

	Year ended June 30, 2009 (in EUR)	Year ended June 30, 2008 (in EUR)
Key management personnel compensation		
Short term benefits	138,000	138,000

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

19. 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 2.5.13).

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

	2009 (in EUR)	2008 (in EUR)
As at July 1	97,417	50,839
Donations received during the year	500,851	474,974
Scholarships granted during the year	(585,523)	(428,396)
As at June 30	12,745	97,417

20. 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.

21. RISK MANAGEMENT

Categories of financial instruments

As at the year end the AUKF has following financial instruments.

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
<u>Financial assets:</u>		
Restricted deposit	380,000	-
Accounts receivable	157,798	198,379
Other receivables	504,720	-
Held to maturity investments	153,258	455,843
<u>Financial liabilities at amortised cost</u>	451,706	146,814

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.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2009

21. RISK MANAGEMENT (CONTINUED)

Interest rate risk

The AUKF is exposed to interest rate risk only in respect of its time deposits maintained at the balance sheet date and borrowings from a local bank, both of which carry interest at fixed 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.

Given below is the analysis of financial assets and liabilities.

	As at June 30, 2009			As at June 30, 2008		
	Interest – bearing	Non – interest	Total	Interest – bearing	Non – interest	Total
------(in Euro 000's)-----						
Assets						
Restricted deposit	380,000	-	380,000	-	-	-
Accounts receivable	-	157,798	157,798	-	198,379	198,379
Other receivables	-	504,720	504,720	-	-	-
Held to maturity investments	153,258	-	153,258	455,843	-	455,843
	533,258	662,518	1,195,776	455,843	198,379	654,222
Liabilities						
Borrowings	296,236	-	296,236	-	-	-
Deferred revenue	-	133,231	133,231	-	41,943	41,943
Trade and other payables	-	22,239	22,239	-	104,871	104,871
	296,236	155,470	451,706	-	146,814	146,814

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.

AUKF has all its financial assets and financial liabilities as current assets and current liabilities, except for borrowing which will expire in 2012 (refer note 11) and which is fully secured against cash deposit.

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, 2009

22. CONTINGENCIES AND COMMITMENTS

There are no contingencies as at the year end.

Commitments:

	June 30, 2009 (in EUR)	June 30, 2008 (in EUR)
Operating commitments of rent expenses:		
Not longer than one year	26,667	26,286
Longer than year and not longer than five years	17,778	47,620
Total commitments	44,445	73,906