



**AMERICAN UNIVERSITY
IN KOSOVO FOUNDATION**

**Financial statements
for the year ended June 30, 2010
(with independent auditor's report thereon)**

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the American University in Kosovo Foundation ("the AUKF"), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, 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. The financial statements of AUKF as at and for the year ended 30 June 2009 were audited by another auditor whose report dated 31 July 2009 expressed an unqualified opinion on those statements.

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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AUKF as at 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Shpk Kosovo Branch

KPMG Albania Sh.p.k. - Kosovo Branch
Pristina

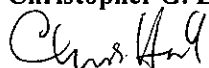
27 August 2010

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Financial Position
As at June 30, 2010

	Notes	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
ASSETS			
Non-current assets			
Property and equipment	3	962,615	1,018,461
Intangible assets	4	23,174	34,235
Restricted deposit	11	-	380,000
Total non-current assets		985,789	1,432,696
Current assets			
Accounts receivable	5	500,557	157,798
Deposits with AUKF - NY	6	882,214	504,720
Short term investments	7	10,925	153,258
Cash and bank balances	8	145,867	122,783
Total current assets		1,539,563	938,559
TOTAL ASSETS		2,525,352	2,371,255
LIABILITIES AND RESERVES			
Current liabilities			
Borrowings – current portion	11	-	94,777
Deferred revenue: Tuition fees	9	122,306	118,992
Accounts payable and accrued expenses	10	296,417	22,239
Total current liabilities		418,723	236,008
Non current liabilities			
Borrowings – non current portion	11	-	201,459
Deferred revenue: Donated vehicle	3	11,015	14,239
Total non-current liabilities		11,015	215,698
Reserves			
Retained surplus		2,095,614	1,919,549
Total reserves		2,095,614	1,919,549
TOTAL LIABILITIES AND RESERVES		2,525,352	2,371,255

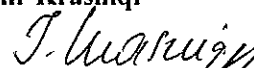
The financial statements have been signed and authorised for issue on behalf of Board of Directors on August 27, 2010 by:

Christopher G. L. Hall



President

Ilir Krasniqi



Chief Financial Officer

The notes on pages 5 to 18 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Comprehensive Income
For the year ended June 30, 2010

	Notes	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Revenue			
Fee income	12	5,269,337	3,093,491
Grant income	13	44,480	70,338
Interest income	14	24,565	28,058
Income from donated assets	3	3,224	1,881
Other revenues	15	116,876	64,292
Total revenue		5,458,482	3,258,060
Expenditures			
Staff salaries and benefits	16	1,195,223	1,062,921
Interest expense	14	5,684	12,528
Faculty housing costs		9,330	19,200
Rent		26,667	25,333
Academic consulting fees	17	1,508,266	1,148,236
Training and Development Institute (TDI)Direct costs	18	1,505,038	145,391
Marketing costs		72,272	65,620
Telephone and internet		66,324	32,711
Energy and fuel costs		18,526	27,774
Repairs and maintenance		54,760	41,556
Depreciation	3	334,907	287,164
Amortisation of intangible assets	4	18,247	17,397
Property & equipment write off		23,502	39,411
Office supplies		52,256	34,098
Admission test fee		24,389	24,636
AUKF U.S.A. office costs		2,668	22,194
Audit and legal fees		13,302	19,445
Travel expenses		67,569	19,305
Security costs		75,089	76,860
Academic events		41,736	35,202
Utilities		87,259	85,212
Bank charges and foreign exchange net		(12,868)	16,600
Bad debts written off	5	1,814	129
Provisions against doubtful receivables	5	13,761	18,227
Miscellaneous		76,696	52,876
Total expenditure		5,282,417	3,330,026
Net surplus/(deficit) for the year		176,065	(71,966)
Other comprehensive income		-	-
Total comprehensive surplus/(deficit) for the year		176,065	(71,966)

The notes on pages 5 to 18 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Changes in Fund Balance
For the year ended June 30, 2010

	Retained surplus (in EUR)	Total Reserves (in EUR)
Balance as at July 1, 2008	1,991,515	1,991,515
Net deficit for the year	<u>(71,966)</u>	<u>(71,966)</u>
Balance as at June 30, 2009	1,919,549	1,919,549
Net surplus for the year	<u>176,065</u>	<u>176,065</u>
Balance as at June 30, 2010	<u>2,095,614</u>	<u>2,095,614</u>

The notes on pages 5 to 18 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Cash Flows
For the year ended June 30, 2010

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Cash flows from operating activities		
Net surplus/(deficit) for the year	176,065	(71,966)
Adjustments for:		
Depreciation of property and equipment	334,907	287,164
Amortisation of intangible assets	18,247	17,397
Loss on disposal of property and equipment	23,502	39,411
Provision/write offs against receivables	15,575	18,356
Bad debts reversed/recovered during the year	(7,094)	(36,573)
Income from donated assets	(3,224)	(1,881)
Interest expense	5,684	12,528
Interest income	(24,565)	(28,058)
Operating surplus before changes in operating assets and liabilities	539,097	236,378
Changes in operating assets and liabilities		
Change in accounts receivable	(351,240)	58,800
Change in other receivables AUKF NY	(377,494)	(504,721)
Change in restricted deposit	380,000	(380,000)
Change in deferred revenue: tuition fees	3,314	77,049
Change in accounts payable and accrued expenses	274,178	(82,632)
Net cash generated from/(used in) operating activities	467,855	(595,126)
Cash flows from investing activities		
Interest received	24,565	28,058
Purchase of property and equipment	(302,563)	(511,110)
Purchase of intangible asset	(7,186)	(41,149)
Decrease/(increase) in short term investments	142,333	302,585
Net cash used in investing activities	(142,851)	(221,616)
Cash flows from financing activities		
Loans obtained during the year	-	380,000
Loans repaid during the year	(296,236)	(83,764)
Interest paid	(5,684)	(12,528)
Net cash (used in)/generated from financing activities	(301,920)	283,708
Net increase/(decrease) in cash and cash equivalents	23,084	(533,034)
Cash and cash equivalents at the beginning of the year	122,783	655,817
Cash and cash equivalents at end of year (note 8)	145,867	122,783

The notes on pages 5 to 18 are an integral part of these financial statements.

1. INTRODUCTION

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

AUKF was established for the purpose of establishing, supporting and operation of the American University in Kosovo ("the University"). The Union Fund for the Reconstruction of Kosovo (UFORK) provided the initial funding for AUKF. According to the agreement with UFORK, AUKF has become a four-year, English language institution accredited within both Kosova and the United States of America. In addition to undergraduate studies, in partnership with the Rochester Institute of Technology, AUK offers a master's program leading to the degree of Master of Science (M.S.) in Professional Studies. The Board of Directors of AUKF is composed of thirteen members.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Standards and Interpretations in issue not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these financial statements. None of these are likely to have an effect on the financial statements of the AUKF, with the exception of:

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

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

An entity follows either the requirements of the IFRS for SMEs in full or else uses full IFRSs. The only exception is that an entity applying the IFRS for SMEs can choose for financial instruments to apply either the provisions of the IFRS for SMEs, or the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of the IFRS for SMEs. The local regulator has indicated a commencement date of 2012. Management have yet to determine if AUKF will apply IFRS for SMEs, once the national regulator decides on how to apply these standards in Kosovo.

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

2.4 Currency of presentation

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

2.5 Significant accounting policies

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

2.5.1 Property and equipment

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

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

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

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 surplus or deficit.

The building occupied by AUKF is provided rent-free and tax-free pursuant to a memorandum of understanding signed between AUKF and the Ministry of Education, Science and Technology. Leasehold improvements paid for by AUKF are capitalized and are 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%
Notebooks (Laptops)	25%
Furniture, fixtures and equipment	20%
Vehicles	20%

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

2.5.2 Intangible assets (Software)

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

2.5.3 Foreign currency transactions

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

2.5.4 Grants related to assets

Grants related to assets, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that AUKF will comply with the conditions attaching to them and that the grants will be received. Grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Deferred income is recognised as income on a systematic and rational basis over the useful life of the related assets.

2.5.5 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 surplus or deficit in the period in which they are received.

2.5.6 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.

2.5.7 Taxation

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

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

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

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

2.5.9 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).

2.5.10 Financial assets and liabilities

(i) Recognition

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

(ii) Derecognition

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

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

(iii) Offsetting

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

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

(iv) Measurement

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

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

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

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

2.5.10 Financial assets and liabilities (continued)

(v) Impairment (continued)

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

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

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

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

2.5.11 Scholarship fund

AUKF is the custodian of various scholarship funds provided by governmental and non-governmental organisations. These funds are not recorded in the AUKF statement of financial position. The funds are awarded to students qualifying for scholarships under the criteria set out by the various donor organisations.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

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, 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 July 1, 2009	766,021	497,048	257,893	63,833	333,160	1,917,955
Additions	9,705	77,909	27,855	-	187,094	302,563
Write offs	-	-	-	-	** (47,004)	(47,004)
As at June 30, 2010	775,726	574,957	285,748	63,833	473,250	2,173,514
Accumulated depreciation:						
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 July 1, 2009	230,491	420,740	158,169	14,776	75,318	899,494
Charge for the year	77,367	73,788	45,438	12,766	125,548	334,907
Write offs	-	-	-	-	** (23,502)	(23,502)
As at June 30, 2010	307,858	494,528	203,607	27,542	177,364	1,210,899
Net book value:						
As at June 30, 2010	467,868	80,429	82,141	36,291	295,886	962,615
As at June 30, 2009	535,530	76,308	99,724	49,057	257,842	1,018,461

* A vehicle was donated by IPKO Net in the amount of EUR 16,120 in November 2008. Donated assets are recognized as income in accordance with the related depreciation charge for the respective asset.

** Included in write offs are laptops with a total net book value of EUR 23,502 (2009: EUR 39,411) at the date of transfer from AUKF to students based on agreements with them at a 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, 2010

3. PROPERTY AND EQUIPMENT (CONTINUED)

Deferred income related to donated assets

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Balance as at July 1	14,239	-
Donation received during the year	-	16,120
Release to income during the year	(3,224)	(1,881)
Balance as at June 30	11,015	14,239

4. INTANGIBLE ASSETS

	Software (in EUR)
Cost	
Balance as at July 1, 2008	20,519
Additions during the year	41,148
Balance as at July 1, 2009	61,667
Additions during the year	7,186
Balance as at June 30, 2010	68,853
Accumulated amortization	
Balance as at July 1, 2008	(10,035)
Amortisation for the year	(17,397)
Balance as at July 1, 2009	(27,432)
Amortisation for the year	(18,247)
Balance as at June 30, 2010	(45,679)
Net book value	
As at June 30, 2010	23,174
As at June 30, 2009	34,235

5. ACCOUNTS RECEIVABLE

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Tuition receivables	148,010	142,935
TDI receivables	349,510	3,554
Advances and prepayments	80,091	81,082
Other receivables	1,350	150
Accounts receivables	578,961	227,721
Provisions against doubtful receivables	(76,590)	(69,794)
Write off of bad debts	(1,814)	(129)
Balance as at June 30	500,557	157,798

Tuition receivables as at June 30, 2010 represent fees for the 2009 - 2010 academic year.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

5. ACCOUNTS RECEIVABLE (CONTINUED)

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

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Balance as at July 1	69,794	66,538
Charge for the year	13,761	18,227
Recovered during the year	<u>(6,965)</u>	<u>(14,971)</u>
Balance as at June 30	<u>76,590</u>	<u>69,794</u>

6. DEPOSITS WITH AUKF - NY

American University in Kosovo Foundation Inc., a New York, non-profit charitable foundation (AUKF-NY) was formed for the purposes of contributing to the advancement of education and science through soliciting the support and contribution of the general public, as well as private, public, governmental and non-governmental organizations for the establishment, operation and management of an American University in Kosovo. AUKF-NY provides technical assistance to AUKF in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUKF through American University in Kosovo Foundation Inc. (Kosovo). During the year ended June 30, 2010, EUR 359,446 (2009 : EUR 215,760) were provided by AUKF NY for such international technical assistance services.

Based on the agreement dated January 6, 2009 all the billings are on an actual cost basis and no surplus is charged between the entities.

Deposits with AUKF-NY represent the cash transferred to AUKF-NY during 2009/10 in excess of amounts transferred for expenditures.

7. SHORT TERM INVESTMENTS

Short term investments represent deposits with flexi accounts held at local banks in Kosovo with effective interest rate of 3.5 % p.a. (2009: 3.5 % p.a.).

8. CASH AND BANK BALANCES

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Cash in hand	5,388	2,412
Cash at banks	<u>140,479</u>	<u>120,371</u>
Balance as at June 30	<u>145,867</u>	<u>122,783</u>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

9. DEFERRED REVENUE: TUITION FEES

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Undergraduate	76,202	70,139
Graduate	12,822	48,853
TDI	21,382	-
Summer program	11,900	-
Balance as at June 30	122,306	118,992

Deferred revenue – tuition fees relate to fees received for courses, which are to be held in future semesters.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Accounts payable	283,931	20,281
Accrued expenses	12,486	1,958
Balance as at June 30	296,417	22,239

11. BORROWINGS

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Current portion	-	94,777
Non-current portion	-	201,459
Balance as at June 30	-	296,236

During July 2008, AUKF obtained a loan from a local bank amounting to EUR 380,000, in order to finance the purchase of notebooks. The loan was repayable in 48 months till June 2012 and carried an interest at the rate of 4% per annum. AUKF decided to close this loan on December 15, 2009 by fully repaying the total outstanding amount.

Restricted deposit:

The above loan was secured against a fixed deposit of EUR 380,000 in a margin account till the expiry of the loan. This deposit earned interest of 2% per annum. The amount of EUR 380,000 became unrestricted in December 15, 2009 upon repayment of the outstanding loan balance.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

12. FEE INCOME

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Earned revenue – Undergraduate program	3,014,016	2,646,652
Earned revenue – Masters program	741,258	290,544
Revenue from TDI	1,846,065	346,034
Fee received from applications	10,570	32,623
Contribution to scholarship fund	(342,572)	(222,362)
	<u>5,269,337</u>	<u>3,093,491</u>

A Scholarship Fund is allocated each year by AUKF to be given to worthy students fulfilling certain criteria (note 20).

13. GRANT INCOME

During the year ended June 30, 2010, AUKF received donations of EUR 44,480 (2009: EUR 70,338) from the Embassy of the United States and the World Bank for operating purposes.

14. INTEREST INCOME, NET

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Interest on investments and bank balances	24,565	28,058
Interest on borrowings	(5,684)	(12,528)
Net interest income	<u>18,881</u>	<u>15,530</u>

15. OTHER REVENUES

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Late payment fees	38,002	29,600
Income from rent	14,430	13,842
Other income	64,444	20,850
	<u>116,876</u>	<u>64,292</u>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
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For the year ended June 30, 2010

16. STAFF SALARIES AND BENEFITS

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Staff salaries	480,567	405,837
Faculty salaries	510,121	446,978
TDI salaries	92,623	115,380
Pension contributions	42,634	28,522
Bonus	31,780	34,900
Health insurance	37,498	31,304
	<u>1,195,223</u>	<u>1,062,921</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 RIT to AUKF.

18. TDI DIRECT COST

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
IT Courses	84,202	86,838
Business & Management	17,814	58,553
Teach European Computer Driving License (ECDL Project)	1,403,022	-
	<u>1,505,038</u>	<u>145,391</u>

Teach ECDL Project expenses include the direct costs of TDI directly attributable to the agreement with the Ministry of Education Science and Technology for the provision of ECDL Project.

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 and key management. Refer to note 6 for the balances held with AUKF-NY.

	Year ended June 30, 2010 (in EUR)	Year ended June 30, 2009 (in EUR)
Key management personnel compensation	138,400	138,000

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

20. SCHOLARSHIP FUND

Scholarship fund has been created and contributed into by AUKF, the IPKO Institute, Kosovo's Government, World Learning and other individual donors, to fund the cost of student fees which meet the criteria agreed with the donor (Note 2.5.11).

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

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
As at July 1	12,745	97,417
Donations received during the year	1,272,589	500,851
Scholarships granted during the year	<u>(1,269,360)</u>	<u>(585,523)</u>
As at June 30	<u>15,974</u>	<u>12,745</u>

21. GERMIA CAMPUS PREMISES

Pursuant to a Memorandum of Understanding signed between AUKF and the Ministry of Education, Science and Technology of Kosova, formalised by a contract between AUKF and the Municipality of Prishtina, AUKF will have the use of the "Germia Campus" educational facility for a period of ten years commencing from July 1, 2005 with the possibility of renewal after the expiry of this term. The contract specifies that 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 AUKF and the Municipality of Prishtina specifies that such renovations shall remain the property of the owner, no related costs are capitalised by AUKF except for those costs incurred by AUKF itself as explained under Note 3.

22. Financial instruments

(a) Credit risk

(i) Exposure to credit risk

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

	June 30, 2010		June 30, 2009	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Restricted deposit	-	-	380,000	-
Accounts receivable	500,557	-	157,798	-
Deposits with AUKF-NY	882,214	-	504,720	-
Short term investments	10,925	-	153,258	-
Cash and bank balances	46,124	99,743	120,850	1,933
As at June 30	<u>1,439,820</u>	<u>99,743</u>	<u>1,316,626</u>	<u>1,933</u>

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

22. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Management of credit risk

AUKF is exposed to credit risk in respect of tuition fees receivable from its students.

(b) Liquidity risk

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

	June 30, 2010	June 30, 2009
	Pay-down expected to be made within 12 months (EUR)	Pay-down expected to be made within 12 months (EUR)
Borrowings	-	94,777
Accounts payable and accrued expenses	296,417	22,239
As at June 30	296,417	117,016
	Pay-down expected to be made in more than 12 months (EUR)	Pay-down expected to be made in more than 12 months (EUR)
Borrowings	-	201,459
Accounts payable and accrued expenses	-	-
As at June 30	-	201,459

Management of liquidity risk

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

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

(c) Foreign currency risk

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

	June 30, 2010		June 30, 2009	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Restricted deposit	-	-	380,000	-
Accounts receivable	500,557	-	157,798	-
Deposits with AUKF-NY	882,214	-	504,720	-
Short term investments	10,925	-	153,258	-
Cash and bank balances	46,124	99,743	120,850	1,933
As at June 30	1,439,820	99,743	1,316,626	1,933

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2010

22. Financial instruments (continued)

(d) Interest rate risk

Given below is the analysis of financial assets and liabilities:

	As at June 30, 2010			As at June 30, 2009		
	Interest bearing	Non – interest	Total	Interest bearing	Non – interest	Total
Assets						
Restricted deposit	-	-	-	380,000	-	380,000
Accounts receivable	-	500,557	500,557	-	157,798	157,798
Deposits with AUKF- NY	-	882,214	882,214	-	504,720	504,720
Short term investments	10,925	-	10,925	153,258	-	153,258
Cash and bank balances	-	145,867	145,867	-	122,783	122,783
	10,925	1,528,638	1,539,563	533,258	785,301	1,318,559
Liabilities						
Borrowings	-	-	-	296,236	-	296,236
Trade and other payables	-	296,417	296,417	-	22,239	22,239
	-	296,417	296,417	296,236	22,239	318,475

(e) Fair value of financial instruments

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

23. CONTINGENCIES AND COMMITMENTS

Lease commitments for the year ended 30 June 2010 and 30 June 2009 are composed as follows:

	June 30, 2010 (in EUR)	June 30, 2009 (in EUR)
Operating commitments of rent expenses:		
Not longer than one year	17,778	26,667
Longer than year and not longer than five years	-	17,778
Total commitments	17,778	44,445

There are no contingencies as at the year end.

24. EVENTS AFTER THE REPORTING DATE

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