



**AMERICAN UNIVERSITY
IN KOSOVO FOUNDATION**

**Financial statements
for the year ended June 30, 2013
(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

Pristina, 2 September 2013

Report on the Financial Statements

We have audited the accompanying financial statements of American University in Kosovo Foundation ("AUKF"), which comprise the statement of financial position as at 30 June 2013, the statements of comprehensive income, changes in fund balance and cash flows for the period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AUKF as at 30 June 2013, 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

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AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Financial Position
As at June 30, 2013

| | Notes | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|---------------------------------------|-------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 3 | 637,707 | 734,246 |
| Intangible assets | 4 | 42,238 | 26,827 |
| Total non-current assets | | 679,945 | 761,073 |
| Current assets | | | |
| Accounts receivable | 5 | 270,694 | 726,876 |
| Deposits with AUKF - NY | 6 | 662,617 | 779,061 |
| Short term investments | 7 | 489,096 | 32,638 |
| Cash and bank balances | 8 | 687,155 | 199,132 |
| Total current assets | | 2,109,562 | 1,737,707 |
| TOTAL ASSETS | | 2,789,507 | 2,498,780 |
| LIABILITIES AND RESERVES | | | |
| Current liabilities | | | |
| Scholarship fund | 9 | 39,390 | 124,947 |
| Deferred tuition fees | 10 | 625,030 | 169,193 |
| Accounts payable and accrued expenses | 11 | 374,618 | 604,872 |
| Total current liabilities | | 1,039,038 | 899,012 |
| Non current liabilities | | | |
| Deferred income from donated assets | 3 | 17,641 | 4,567 |
| Total non-current liabilities | | 17,641 | 4,567 |
| Reserves | | | |
| Retained surplus | | 1,732,828 | 1,595,201 |
| Total reserves | | 1,732,828 | 1,595,201 |
| TOTAL LIABILITIES AND RESERVES | | 2,789,507 | 2,498,780 |

The financial statements have been signed and authorised for issue on behalf of the Board of Directors on September 02, 2013 by:

Winfred Thompson

President

Ilir Krasniqi

Chief Financial Officer

The notes on pages 5 to 19 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Comprehensive Income
For the year ended June 30, 2013

| | Notes | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|--|-------|--|--|
| Revenue | | | |
| Fee income | 12 | 3,654,777 | 4,079,024 |
| Grant income | 13 | 9,771 | 176,554 |
| Interest income | 14 | 12,177 | 6,833 |
| Income from donated assets | 3 | 5,377 | 3,224 |
| Other income | 15 | 412,602 | 254,897 |
| Total revenue | | 4,094,703 | 4,520,532 |
| Expenditures | | | |
| Staff salaries and benefits | 16 | 1,335,801 | 1,407,045 |
| Faculty housing costs | | 14,871 | 16,491 |
| Rent | 17 | 92,308 | 105,494 |
| Academic consulting fees | 18 | 1,104,368 | 1,295,201 |
| Training and Development Institute Direct costs('TDI') | 19 | 138,933 | 650,353 |
| Special programs/Summer Program | | 175,475 | 168,170 |
| Marketing costs | | 87,210 | 76,427 |
| Telephone and internet | | 38,105 | 55,889 |
| Energy and fuel costs | | 25,670 | 35,715 |
| Repairs and maintenance | | 39,942 | 43,072 |
| Depreciation | 3 | 297,000 | 363,353 |
| Amortisation | 4 | 21,417 | 12,859 |
| Property & equipment write off | | 4,230 | 7,113 |
| Office supplies | | 44,750 | 59,132 |
| Admission test fee | | 4,678 | 20,731 |
| U.S.A. office costs | | 33,533 | 86,707 |
| Audit and legal fees | | 195,092 | 81,048 |
| Travel expenses | | 14,987 | 43,916 |
| Security costs | | 70,982 | 70,877 |
| Academic events | | 29,672 | 43,037 |
| Utilities | | 131,320 | 135,295 |
| Bank charges and foreign exchange net | | 6,621 | (63,195) |
| Provisions against doubtful receivables | 5 | 6,669 | 67,562 |
| Miscellaneous | | 43,442 | 61,863 |
| Total expenditure | | 3,957,076 | 4,844,155 |
| Net surplus / (deficit) for the year | | 137,627 | (323,623) |
| Other comprehensive income | | - | - |
| Total comprehensive income / (deficit) for the year | | 137,627 | (323,623) |

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Changes in Fund Balance
For the year ended June 30, 2013

| | Retained surplus (in EUR) | Total Reserves (in EUR) |
|--|--------------------------------------|------------------------------------|
| Balance as at July 1, 2011 | 1,918,824 | 1,918,824 |
| Net deficit for the year | (323,623) | (323,623) |
| Other comprehensive income for the year | - | - |
| Total comprehensive deficit for the year | (323,623) | (323,623) |
| Balance as at June 30, 2012 | 1,595,201 | 1,595,201 |
| Net surplus for the year | 137,627 | 137,627 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | 137,627 | 137,627 |
| Balance as at June 30, 2013 | 1,732,828 | 1,732,828 |

The notes on pages 5 to 19 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Cash Flows
For the year ended June 30, 2013

| | | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|---|----|--|--|
| Cash flows from operating activities | | | |
| Net surplus / (deficit) for the year | | 137,627 | (323,623) |
| Adjustments for: | | | |
| Depreciation of property and equipment | 3 | 297,000 | 363,353 |
| Amortisation of intangible assets | 4 | 21,417 | 12,859 |
| Loss on write offs of property and equipment | | 4,230 | 7,113 |
| Provision/write offs against receivables | 5 | 6,669 | 67,562 |
| Bad debts reversed/recovered during the year | | (15,081) | (6,079) |
| Income from donated assets | 3 | (5,377) | (3,224) |
| Interest income | 14 | (12,177) | (6,833) |
| Operating surplus before changes in operating assets and liabilities | | 434,308 | 111,128 |
| Changes in operating assets and liabilities | | | |
| Change in accounts receivable | 5 | 464,595 | 113,938 |
| Change in deposits with AUKF NY | 6 | 116,444 | (101,158) |
| Change in scholarship fund | 9 | (85,557) | 84,720 |
| Change in deferred tuition fees | 10 | 455,837 | (77,980) |
| Change in accounts payable and accrued expenses | 11 | (230,254) | (30,050) |
| Net cash generated from operating activities | | 1,155,373 | 100,598 |
| Cash flows from investing activities | | | |
| Interest received | 14 | 12,177 | 6,833 |
| Purchase of property and equipment, net of donated asset | 3 | (184,045) | (161,617) |
| Purchase of intangible asset | 4 | (39,024) | (31,521) |
| Increase in short term investments | | (456,458) | (14,219) |
| Net cash used in investing activities | | (667,350) | (200,524) |
| Net increase / (decrease) in cash and cash equivalents | | | |
| | 8 | 488,023 | (99,926) |
| Cash and cash equivalents at the beginning of the year | | 199,132 | 299,058 |
| Cash and cash equivalents at end of year (note 8) | | 687,155 | 199,132 |

The notes on pages 5 to 19 are an integral part of these financial statements.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements
For the year ended June 30, 2013

1. INTRODUCTION

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

AUKF was established for the purpose of establishing, supporting and operation of the American University in Kosovo ("the University"). The Union Fund for the Reconstruction of Kosovo ("UFORK") provided the initial funding for AUKF. According to the agreement with UFORK, AUKF is an 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 sixteen 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 2013, and have not been applied in preparing these financial statements. None of these are likely to have an effect on the financial statements of AUKF, with the exception of:

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

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

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

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

2.4 Currency of presentation

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

2.5 Significant accounting policies

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

2.5.1 Property and equipment

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

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

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

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

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

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

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

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

2.5.2 Intangible assets (Software)

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

2.5.3 Foreign currency transactions

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

2.5.4 Grants related to assets and expenses

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

2.5.5 Revenue recognition

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

Interest income is recognized using the effective interest method.

2.5.6 Taxation

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

2.5.7 Lease payments

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

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

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

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

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

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

2.5.10 Retirement benefit costs

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

2.5.11 Financial assets and liabilities

(i) Recognition

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

(ii) Derecognition

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

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

(iii) Offsetting

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

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

(iv) Measurement

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

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

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

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

2.5.11 Financial assets and liabilities (continued)

(v) Impairment (continued)

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

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

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

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

2.5.12 Scholarship fund

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

3. PROPERTY AND EQUIPMENT

| | Leasehold buildings improvements (in EUR) | Computers and related equipment (in EUR) | Furniture, fixtures and equipment (in EUR) | Vehicles (in EUR) | Laptops (in EUR) | Total (in EUR) |
|----------------------------------|--|---|--|----------------------|---------------------|-------------------|
| Cost: | | | | | | |
| As at July 1, 2011 | 821,726 | 726,143 | 295,423 | 63,833 | 536,017 | 2,443,142 |
| Additions | - | 41,437 | 1,818 | - | 118,362 | 161,617 |
| Write offs | - | - | - | - | (10,670) | (10,670) |
| As at June 30, 2012 | 821,726 | 767,580 | 297,241 | 63,833 | 643,709 | 2,594,089 |
| Additions | - | 60,620 | 11,745 | 18,450 | 111,680 | 202,495 |
| Write offs | - | (574,384) | (230,874) | (18,850) | (699) | (824,807) |
| As at June 30, 2013 | 821,726 | 253,816 | 78,112 | 63,433 | 754,690 | 1,971,777 |
| Accumulated depreciation: | | | | | | |
| As at July 1, 2011 | 387,764 | 570,608 | 241,267 | 38,557 | 261,851 | 1,500,047 |
| Charge for the year | 82,173 | 87,774 | 26,557 | 9,520 | 157,329 | 363,353 |
| Write offs | - | - | - | - | (3,557) | (3,557) |
| As at June 30, 2012 | 469,937 | 658,382 | 267,824 | 48,077 | 415,623 | 1,859,843 |
| Charge for the year | 82,173 | 86,885 | 16,283 | 11,363 | 100,296 | 297,000 |
| Write offs | - | (573,334) | (231,328) | (17,977) | (137) | (822,776) |
| As at June 30, 2013 | 552,110 | 171,933 | 52,779 | 41,463 | 515,782 | 1,334,067 |
| Net book value: | | | | | | |
| As at June 30, 2013 | 269,616 | 81,883 | 25,333 | 21,970 | 238,908 | 637,710 |
| As at June 30, 2012 | 351,789 | 109,198 | 29,417 | 15,756 | 228,086 | 734,246 |

* Included in write offs, are disposal of fixed asset which at the date of their disposal had immaterial net book value.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

3. PROPERTY AND EQUIPMENT (CONTINUED)

Deferred income related to donated assets

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|-----------------------------------|--|--|
| Balance as at July 1 | 4,567 | 7,791 |
| Donation received during the year | 18,451 | - |
| Release to income during the year | (5,377) | (3,224) |
| Balance as at June 30 | 17,641 | 4,567 |

4. INTANGIBLE ASSETS

| | Software (in EUR) |
|------------------------------------|------------------------------|
| Cost | |
| Balance as at July 1, 2011 | 71,012 |
| Additions during the year | 31,521 |
| Balance as at June 30, 2012 | 102,533 |
| Additions during the year | 39,025 |
| Write offs | (68,467) |
| Balance as at June 30, 2013 | 73,091 |
| Accumulated amortization | |
| Balance as at July 1, 2011 | 62,847 |
| Amortisation for the year | 12,859 |
| Balance as at June 30, 2012 | 75,706 |
| Amortisation for the year | 21,417 |
| Write offs | (66,270) |
| Balance as at June 30, 2013 | 30,853 |
| Net book value | |
| As at June 30, 2013 | 42,238 |
| As at June 30, 2012 | 26,827 |

5. ACCOUNTS RECEIVABLE

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|--|-----------------------------------|-----------------------------------|
| Tuition receivables | 359,207 | 207,836 |
| Training and Development Institute ("TDI") receivables | 25,014 | 623,696 |
| Advances and prepayments | 18,241 | 32,017 |
| Other receivables | 11,420 | 14,927 |
| Accounts receivables | 413,882 | 878,476 |
| Provisions against doubtful receivables | (143,188) | (151,600) |
| Balance as at June 30 | 270,694 | 726,876 |

Tuition receivables balance as at June 30, 2013 represent fees for the 2012 - 2013 academic year.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

5. ACCOUNTS RECEIVABLE (CONTINUED)

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

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|------------------------------|--|--|
| Balance as at July 1 | 151,600 | 90,117 |
| Charge for the year | 6,669 | 67,562 |
| Recovered during the year | (15,081) | (6,079) |
| Balance as at June 30 | 143,188 | 151,600 |

Below is presented the aging of tuition and TDI receivables:

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

6. DEPOSITS WITH AUKF - NY

American University in Kosovo Foundation Inc., a New York, non-profit charitable foundation (AUKF-NY) was formed for the purposes of contributing to the advancement of education and science through soliciting the support and contribution of the general public, as well as private, public, governmental and non-governmental organizations for the establishment, operation and management of an American University in Kosovo. AUKF-NY provides technical assistance to AUKF in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUKF through American University in Kosovo Foundation International (Kosovo), which is a separate legal entity from AUKF. During the year ended June 30, 2013, EUR 248,662 (2012: EUR 304,319) were provided by AUKF NY for such international technical assistance services.

Based on the agreement dated January 6, 2009 all the billings are on an actual cost basis and no surplus is charged between the entities. Deposits with AUKF-NY in the amount of EUR 662,617 as at 30 June 2013 (30 June 2012: EUR 779,061) represent the cash transferred to AUKF-NY during 2012/2013 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 1.2% - 3.0% p.a. (2012: 1.2% - 3.0% p.a.).

8. CASH AND BANK BALANCES

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|------------------------------|-----------------------------------|-----------------------------------|
| Cash in hand | 5,028 | 5,347 |
| Cash at banks | 682,127 | 193,785 |
| Balance as at June 30 | 687,155 | 199,132 |

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

9. SCHOLARSHIP FUND

The scholarship fund has been created by AUKF and contributed by AUKF (note 12), IPKO Foundation, Kosovo's Government, USAID, US Embassy, British Embassy, Kosovo Diplomatic Observer Mission and other individual donors, to fund the cost of student fees, which meet the criteria agreed with the donors.

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

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|--------------------------------------|---|---|
| As at July 1 | 124,947 | 40,227 |
| Donations received during the year | 527,510 | 875,977 |
| Scholarships granted during the year | <u>(613,067)</u> | <u>(791,257)</u> |
| As at June 30 | <u>39,390</u> | <u>124,947</u> |

10. DEFERRED TUITION FEES

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|------------------------------|---|---|
| Undergraduate | 492,649 | 97,933 |
| TDI | 2,128 | - |
| Summer program | <u>130,253</u> | <u>71,260</u> |
| Balance as at June 30 | <u>625,030</u> | <u>169,193</u> |

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

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|------------------------------|---|---|
| Accounts payable | 365,371 | 476,854 |
| Accrued expenses | <u>9,247</u> | <u>128,018</u> |
| Balance as at June 30 | <u>374,618</u> | <u>604,872</u> |

12. FEE INCOME

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|--|--|--|
| Earned revenue – Undergraduate program | 3,740,143 | 3,270,199 |
| Earned revenue – Masters program | - | 111,563 |
| Revenue from TDI | 291,203 | 1,107,596 |
| Fee received from applications | 3,240 | 11,275 |
| AUK Contribution to scholarship fund | <u>(379,809)</u> | <u>(421,609)</u> |
| | <u>3,654,777</u> | <u>4,079,024</u> |

A Scholarship Fund is allocated each year by AUKF to be given to worthy students fulfilling certain criteria (note 9).

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For the year ended June 30, 2013

13. GRANT INCOME

During the year ended June 30, 2013, AUKF received donations of EUR 9,771 (2012: EUR 176,554) from private individual donors.

14. INTEREST INCOME

Interest income in the amount of EUR 12,177 (2012: EUR 6,833) consists of interest earned on investments and bank balances.

15. OTHER INCOME

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|-------------------|--|--|
| Summer Program | 274,265 | 155,267 |
| Late payment fees | 16,800 | 20,212 |
| Income from rent | 36,178 | 38,187 |
| Other income | 85,358 | 41,231 |
| | <u>412,601</u> | <u>254,897</u> |

16. STAFF SALARIES AND BENEFITS

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|-----------------------|--|--|
| Staff salaries | 505,983 | 593,319 |
| Faculty salaries | 655,909 | 590,449 |
| TDI salaries | 77,338 | 104,310 |
| Pension contributions | 50,472 | 56,683 |
| Bonus | - | 11,320 |
| Health insurance | 43,329 | 39,093 |
| Per Diem | 2,770 | 11,871 |
| | <u>1,335,801</u> | <u>1,407,045</u> |

17. RENT EXPENSE

As discussed in Note 2.5.1 and note 21, AUKF is provided by the Ministry of Education, Science and Technology a building owned by the Municipality of Pristina on a rent-free and tax-free basis for a period of 10 years.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
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For the year ended June 30, 2013

18. ACADEMIC CONSULTING FEES

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

19. TDI DIRECT COST

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|--|--|--|
| IT, Business and Management Courses | 138,933 | 141,925 |
| Teach European Computer Driving License (“ECDL” Project) | - | 508,428 |
| | <u>138,933</u> | <u>650,353</u> |

20. RELATED PARTY DISCLOSURE

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

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

| | Year ended June 30, 2013 (in EUR) | Year ended June 30, 2012 (in EUR) |
|---------------------------------------|--|--|
| Key management personnel compensation | 114,100 | 128,400 |

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

21. GERMIA CAMPUS PREMISES

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

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

22. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

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

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

| | June 30, 2013 | June 30, 2012 |
|------------------------|-------------------------|-------------------------|
| | (in EUR) | (in EUR) |
| Accounts receivable | 270,694 | 726,876 |
| Deposits with AUKF-NY | 662,617 | 779,061 |
| Short term investments | 489,096 | 32,638 |
| Cash and bank balances | 687,155 | 199,132 |
| As at June 30 | <u>2,109,562</u> | <u>1,737,707</u> |

(ii) Management of credit risk

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

(b) Liquidity risk

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

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

| | June 30, 2013 | June 30, 2012 |
|---------------------------------------|--|--|
| | Pay-down expected to be made within 12 months (EUR) | Pay-down expected to be made within 12 months (EUR) |
| Accounts payable and accrued expenses | 374,618 | 604,872 |
| As at June 30 | <u>374,618</u> | <u>604,872</u> |

Management of liquidity risk

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

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

The following are the remaining maturities of financial assets and liabilities including interest payments as at 30 June 2013 and 2012:

| | Carrying Amounts | 6 Months or less | 6-12 months | 1-5 Years | More than 5 Years |
|---|-----------------------------|-----------------------------|------------------------|------------------|----------------------------------|
| 30-Jun-13 | | | | | |
| <i>Financial assets</i> | | | | | |
| Accounts receivable | 270,694 | 270,694 | - | - | - |
| Deposits with AUKF - NY | 662,617 | 662,617 | - | - | - |
| Short term investments | 489,096 | 489,096 | - | - | - |
| Cash and bank balances | 687,155 | 687,155 | - | - | - |
| | 2,109,562 | 2,109,562 | - | - | - |
| <i>Financial liabilities</i> | | | | | |
| Scholarship fund | (39,390) | (39,390) | - | - | - |
| Accounts payable and accrued expenses | (374,618) | (374,618) | - | - | - |
| | (414,008) | (414,008) | - | - | - |
| Liquidity risk at 30 June 2013 | 1,695,554 | 1,695,554 | - | - | - |
| 30-Jun-12 | | | | | |
| <i>Financial assets</i> | | | | | |
| Accounts receivable | 726,876 | 726,876 | - | - | - |
| Deposits with AUKF – NY | 779,061 | 779,061 | - | - | - |
| Short term investments | 32,638 | 32,638 | - | - | - |
| Cash and bank balances | 199,132 | 199,132 | - | - | - |
| | 1,737,707 | 1,737,707 | - | - | - |
| <i>Financial liabilities</i> | | | | | |
| Scholarship fund | (124,947) | (124,947) | - | - | - |
| Accounts payable and accrued expenses | (604,872) | (604,872) | - | - | - |
| | (729,819) | (729,819) | - | - | - |
| Liquidity risk at 30 June 2012 | 1,007,888 | 1,007,888 | - | - | - |

(c) Foreign currency risk

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
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For the year ended June 30, 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | June 30, 2013 | | June 30, 2012 | |
|---------------------------------------|----------------------|-----------------|----------------------|-----------------|
| | (in EUR) | (in USD) | (in EUR) | (in USD) |
| Accounts receivable | 270,694 | - | 726,876 | - |
| Deposits with AUKF-NY | 662,617 | - | 779,061 | - |
| Short term investments | 489,096 | - | 32,638 | - |
| Cash and bank balances | 279,542 | 407,613 | 133,378 | 65,754 |
| | 1,701,949 | 407,613 | 1,671,953 | 65,754 |
| Accounts payable and accrued expenses | (374,618) | - | (604,872) | - |
| As at June 30 | 1,327,331 | 407,613 | 1,067,081 | 65,754 |

AUKF incurs foreign currency risk on 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.

(d) Interest rate risk

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

Below is the analysis of financial assets and liabilities:

| | As at June 30, 2013 | | | As at June 30, 2012 | | |
|--------------------------|----------------------------|--|------------------|----------------------------|--|------------------|
| | Interest bearing | Non – interest bearing In EUR | Total | Interest bearing | Non – interest bearing In EUR | Total |
| Assets | | | | | | |
| Accounts receivable | - | 270,694 | 270,694 | - | 726,876 | 726,876 |
| Deposits with AUKF-NY | - | 662,617 | 662,617 | - | 779,061 | 779,061 |
| Short term investments | 489,096 | - | 489,096 | 32,638 | - | 32,638 |
| Cash and bank balances | - | 687,155 | 687,155 | - | 199,132 | 199,132 |
| | 489,096 | 1,620,466 | 2,109,562 | 32,638 | 1,705,069 | 1,737,707 |
| Liabilities | | | | | | |
| Trade and other payables | - | 374,618 | 374,618 | - | 604,871 | 604,871 |
| | - | 374,618 | 374,618 | - | 604,871 | 604,871 |

(e) Fair value of financial instruments

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2013

23. CONTINGENCIES AND COMMITMENTS

AUK has entered into lease commitments for TDI offices. Minimum lease commitments for the year ended June 30, 2013 and June 30, 2012 are composed as follows:

| | June 30, 2013 (in EUR) | June 30, 2012 (in EUR) |
|---|---|---|
| Operating commitments of rent expenses: | | |
| Not longer than one year | 65,385 | 53,846 |
| Total commitments | 65,385 | 53,846 |

There are no other contingencies as at the year end.

24. EVENTS AFTER THE REPORTING DATE

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