

RIT Kosovo (A.U.K) – College

**Financial Statements prepared in accordance with
International Financial Reporting Standards**

For the year ended 30 June 2019

Contents

Independent auditor's report.....	1
1. General information.....	5
2. Significant accounting policies.....	5
3. Critical accounting estimates and judgments.....	11
4. Adoption of new and revised standards and interpretations.....	11
5. New Accounting Pronouncements.....	12
6. Property and equipment.....	15
7. Accounts receivable and other assets.....	15
8. Cash and cash equivalents.....	16
9. Scholarship fund.....	17
10. Deferred income: Tuition fees.....	17
11. Accounts payable and accrued expenses.....	17
12. Fee income.....	17
13. Income from special programs and other income.....	18
14. Grants and donations income.....	18
15. Interest income.....	18
16. Staff salaries and benefits.....	18
17. Academic consulting fees.....	19
18. Training and Development Institute Direct costs ('TDI').....	19
19. Other operating expense.....	19
20. Germia campus premises.....	19
21. Financial risk management.....	20
22. Fair value disclosures.....	22
23. Contingencies and commitments.....	22
24. Related parties.....	22
25. Events after the reporting period.....	23
26. Accounting policies before 1 July 2019.....	23



Independent Auditor's Report

To the Board of Trustees of RIT Kosovo (A.U.K) College

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RIT Kosovo (A.U.K) College (the "Organization") as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Organization's financial statements comprise of:

- the statement of financial position as at 30 June 2019;
- the statement of surplus or deficit for the year then ended;
- the statement of changes in fund balance for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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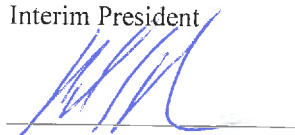
16 September 2019
Prishtina, Kosovo

RIT Kosovo (A.U.K) – College
Statement of financial position
Amounts in Euro

	Notes	30 June 2019	30 June 2018
Assets			
Non-current assets			
Property and equipment	6	6,835,611	332,699
Total non-current assets		6,835,611	332,699
Current assets			
Accounts receivable and other assets	7	194,480	259,240
Accounts with AUKF-NY	8	1,488,656	1,378,595
Deposits with banks	8	421,505	251,328
Cash and cash equivalents	8	419,484	590,342
Total current assets		2,524,125	2,479,505
Total assets		9,359,736	2,812,204
Reserves			
Reserves		2,217,090	2,225,083
Total reserves		2,217,090	2,225,083
Liabilities			
Non-current liabilities			
Deferred income: Donated assets	6	6,445,634	594
Total non-current liabilities		6,445,634	594
Current liabilities			
Scholarship fund payable	9	204,312	190,609
Deferred Revenue: Tuition fees	10	381,662	279,673
Accounts payable and accrued expenses	11	111,038	116,246
Total current liabilities		697,012	586,528
Total liabilities		7,142,646	587,122
Total reserves and liabilities		9,359,736	2,812,204

These financial statements were approved for issuance by the Board of Trustees and signed on its behalf on 13 September 2019:

Mr. Kamal Shahrabi
Interim President



Mrs. Flutra Pushka Emini
Finance Director



RIT Kosovo (A.U.K) – College
Statement of surplus or deficit for the year ended
Amounts in Euro

	Notes	30 June 2019	30 June 2018
Income			
Fee income	12	2,519,923	2,583,273
Income from special programs and other income	13	547,930	547,276
Grants and donation income	14	133,208	57,426
Interest income	15	6,465	2,059
Total income		3,207,526	3,190,034
Expenses			
Staff salaries and benefits	16	(1,380,101)	(1,532,768)
Academic consulting fees	17	(783,763)	(666,030)
Training and Development Institute Direct costs ('TDI')	18	(205,996)	(150,445)
Other operating expenses	19	(797,696)	(781,424)
Allowances for doubtful receivables	7	(44,668)	(27,441)
Foreign exchange gains/(losses), net		31,711	(30,229)
Total expenses		(3,180,513)	(3,188,337)
Net surplus for the year		27,013	1,697
Other comprehensive income		-	-
Total comprehensive surplus for the year		27,013	1,697

RIT Kosovo (A.U.K) – College
Statement of Changes in Fund Balance
Amounts in Euro

	Reserves	Total reserves
Balance at 1 July 2018	2,223,386	2,223,386
Net surplus for the year	1,697	1,697
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	1,697	1,697
Balance at 30 June 2018	2,225,083	2,225,083
Impact of first-time adoption of IFRS 9	(35,006)	(35,006)
Net surplus for the year	27,013	27,013
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	27,013	27,013
Balance at 30 June 2019	2,217,090	2,217,090

RIT Kosovo (A.U.K) – College
Statement of cash flows for the year ended
Amounts in Euro

	Notes	30 June 2019	30 June 2018
Cash flows from operating activities			
Net surplus for the year		27,013	1,697
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	218,900	171,691
Amortization of intangible assets		-	297
(Gain)/Loss from disposal of property and equipment		(1,414)	(2,453)
Allowance for impairment of receivables		43,576	27,441
Recoveries of bad debts during the year		(18,286)	(11,889)
Income from donated assets		(68,973)	(3,737)
Interest income		(6,465)	(2,059)
		194,351	180,988
Operating cash flows before working capital changes			
Change in accounts receivable		6,139	(102,903)
Change in scholarship fund		13,703	144,425
Change in deferred tuition fees		104,158	97,989
Change in accounts payable and accrued expenses		(5,208)	47,451
Net cash from operating activities		313,143	367,950
Cash flows used in investing activities			
Purchases of property and equipment		(215,878)	(152,034)
Disposal of property and equipment		5,650	940
Interest received		6,465	2,059
Net cash used in investing activities		(203,763)	(149,035)
Net change in cash and cash equivalents		109,380	218,915
Cash and cash equivalents at the beginning of the year		2,220,265	2,001,350
Cash and cash equivalents at the end of the year	9	2,329,645	2,220,265

1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 30 June 2019 for RIT Kosovo (A.U.K) College (“RIT Kosovo (A.U.K)” or the “Organization”).

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

RIT KOSOVO (A.U.K) was founded for the purpose of establishing and supporting the operation of the American College in Kosovo. The Union Fund for the Reconstruction of Kosovo (“UFORK”) provided the initial funding for RIT Kosovo (A.U.K). RIT Kosovo (A.U.K) has established as a four-year program in English language which is accredited in Kosovo. RIT KOSOVO (A.U.K) offers studies in collaboration with Rochester Institute of Technology (“RIT”), which is accredited in the United States of America. The Board of Directors of RIT Kosovo (A.U.K) is composed of thirteen members.

Registered address and place of operation. The entity’s registered address is Shpëtim Robaj Street NN, 10000 Pristina, Republic of Kosovo.

Presentation currency. These financial statements are presented in Euro (‘EUR’), which is the Organization’s functional currency. Euro is the national currency in Kosovo.

2. Significant accounting policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 July 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied until 30 June 2018 are presented in Note 27.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. Management relied on their own judgment when applying the accounting policies of the Organization. The elements of the financial statements whose presentation includes higher degree of judgement or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 3.

Foreign currency translation. The functional currency of the Organization is the currency of the primary economic environment in which the entity operates. The functional currency and presentation currency of the Organization is Euro (“EUR”), which is the primary currency in the Republic of Kosovo since 1 January 2002.

Transaction and balances. Foreign currency transactions are transactions undertaken by the Organization other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

2. Significant accounting policies (continued)

Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

ii. Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organization, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss using the reducing balance method, and the depreciation rates are as follows:

• Donated assets (Land and building)	50 years
• Leasehold improvements	10 years
• Computers and related equipment	3 years
• Laptops	4 years
• Furniture, fixtures and equipment	5 years
• Vehicles	5 years

The premises of the campus together with the land where they are located and leasehold improvements are depreciated over 50 years and 10 years, respectively, which is the shorter of the lease term and their useful lives. In determination of the useful lives of the property and equipment, the Organization considers the technological aspects of the equipment and the fact that it operates in an industry where technologic advancements are rapid and continuously developing. The useful lives, depreciation methods, and residual values if significant, are reviewed at each reporting date and revised if appropriate.

Intangible assets. Intangible assets acquired by the Organization are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets of 3 years.

Financial instruments key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

2. Significant accounting policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flow of variable interest instruments to the next interest reprising date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments - Initial recognition. Financial instruments categorized as FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Organization commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Organization classifies financial assets in the following measurement categories: Fair value through profit or loss ("FVTPL"), Fair value through other comprehensive income ("FVOCI") and Amortized cost ("AC"). The classification and subsequent measurement of debt financial assets depends on: (i) the Organization's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Organization manages the assets in order to generate cash flows – whether the Organization's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

2. Significant accounting policies (continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Organization undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Organization in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 3 for critical judgements applied by the Organization in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Organization assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Organization considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. RIT Kosovo (A.U.K.) assesses the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Organization measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The expected credit loss is calculated using the simplified approach of impairment, by measuring Lifetime ECL.

RIT Kosovo (A.U.K.) applies the simplified approach to all receivables from tuition fees and contract assets in accordance with IFRS 15 that do not contain a significant financing component unless there was already objective evidence of impairment at initial recognition.

The financial assets and other risk exposures do not have to be monitored for changes in credit risk over time, instead the loss allowance for these risk exposures is always recognised at the reporting date in the amount of present value of the losses expected over the remaining life (LT ECL). If there is objective evidence of impairment the financial assets are transferred to Stage 3 as in the case of general approach. As of that date, the interest revenue is calculated on the basis of the net carrying amount. In case of a decrease in credit risk under the simplified approach, the recognition of interest revenue is re-changed to a gross carrying amount basis.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Organization exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Organization may write-off financial assets that are still subject to enforcement activity when the Organization seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - derecognition. The Organization derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Organization has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2. Significant accounting policies (continued)

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Organization and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Financial instruments of RIT Kosovo (A.U.K) comprise: (1) cash and cash equivalents; (2); trade and other receivables and (3) trade and other payables.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Grants related to assets. RIT Kosovo (A.U.K) has elected to treat “Germia campus” which is used by RIT Kosovo (A.U.K) as the educational facility (see note 21), as government grant in the form of a non-monetary asset. RIT Kosovo (A.U.K) measures both the item of property and the land at nominal value. Asset-linked grants are presented on the statement of financial position as deferred income. Deferred income is recognized as income on a systematic and rational basis over the lifetime of the use of the related assets. Other grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and RIT Kosovo (A.U.K) will comply with the conditions associated with the grant; they are then recognised in profit or loss as Income from donated assets on a systematic basis over the useful life of the asset. Grants that compensate the RIT Kosovo (A.U.K) for expenses incurred are recognised in profit or loss as Grant income on a systematic basis in the periods in which the expenses are recognised.

Scholarship fund. RIT Kosovo (A.U.K) 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 donors. The funds are initially recognized at their fair value and presented as liabilities in the statement of financial position, they are then recognised in surplus or deficit as tuition income on a systematic basis over the period of scholarship awarded to students.

2. Significant accounting policies (continued)

Prepayments. Prepayments are carried at cost less provision for impairment, if any. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Organization has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Organization. Other prepayments are written off to surplus or deficit when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Revenue recognition. Revenue is income arising in the course of the Organization's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for rendering promised services to a student.

Revenue is recognised net of discounts.

Services – tuition fees

Revenue from tuition fee is recognised in surplus or deficit over the period of the relevant tuition course in proportion to the stage of completion of the transaction at the reporting date.

Services – training and development institute

Revenue from training and development institute is recognised in surplus or deficit over the period of the courses organized in proportion to the stage of completion of the transaction at the reporting date.

Grant income

Grants are recognised in surplus or deficit on a systematic basis over the periods in which the Organization recognises as expenses the related costs for which the grants are intended to compensate.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the counterparty.

Services – others

Revenue from dorms, rent, donated assets etc. are recognised in surplus or deficit over the period the services are provided in proportion to the stage of completion of the transaction at the reporting date.

Financial income and costs. Finance income comprises interest income on balances with banks. Interest income is recognized as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Employees Benefits. The Organization only makes contributions to the publicly administered pension plan. The Kosovo Pension Saving Trust (KPST), as required by the law. RIT Kosovo (A.U.K) has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Provisions. Provision is recognised if, as a result of a past event, RIT Kosovo (A.U.K) has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Taxes. RIT Kosovo (A.U.K) was established as a non-profit organisation and was granted public benefit status. Based on the laws in force in Kosovo, it is exempted from corporate taxation and VAT.

3. Critical accounting estimates and judgments

The Organization makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of trade and other receivables. RIT Kosovo (A.U.K.) applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over 3 years period, while all students were considered as a group who share similar credit risk characteristics. The corresponding historical credit losses experienced within this period for student category is then calculated.

The credit loss allowance for trade and other receivables is determined according to provision matrix, the loss rates and ECLs are presented in the table below. The provision matrix is based on the number of days that an asset is past due, the effect of forward-looking information is considered as insignificant.

Tuition receivables	Loss rate	Gross carrying amount	Lifetime ECL
Not past due	8.4%	-	-
1 – 30 Days past due	16.2%	98	16
31 – 90 Days past due	37.6%	6,518	2,448
91 – 180 Days past due	59.7%	64,700	38,651
181 – 360 Days past due	90.7%	25,965	23,557
Over 360 days past due	90.7%	183,509	166,492
Total		280,790	231,164

4. Adoption of new and revised standards and interpretations

Adoption of IFRS 9 “Financial Instruments”. The Organization adopted IFRS 9, Financial Instruments, from 1 July 2018. The Organization elected not to restate comparative figures but to recognise any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standard, 1 July 2018. Based on the analysis of the organization’s financial assets and financial liabilities as at 30 June 2018 and on the basis of the facts and circumstances that exist at that date, the management of the Organization identified a total of EUR 35,006 impact on its financial statements from the adoption of the new standard on 1 July 2018 and a new provisioning matrix to be applied to accounts receivable from tuition fees.

Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 July 2018 and applicable to the comparative information are disclosed in Note 27.

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 July 2018.

4. Adoption of new or revised standards and interpretations (Continued)

	Measurement category		Carrying value under IAS 39 - 30 June 2018	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 July 2018
				Reclassification		Remeasurement		
	IAS 39	IFRS 9	Mandatory	Voluntary	ECL	Other		
Cash and cash equivalents	L&R	AC	2,220,265	-	-	-	-	2,220,265
Other financial assets:								
Trade receivables	L&R	AC	259,240	-	-	35,006	-	224,234
Total financial assets			2,479,505	-	-	-	-	2,444,499

All classes of financial assets were reclassified from loans and receivables (“L&R”) measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for financial asset balances were insignificant.

Adoption of IFRS 15 “Revenue from Contracts with Customers”. The Organization applied simplified method of transition to IFRS 15 and elected to apply the practical expedient available for simplified transition method. The Organization applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 July 2018).

The adoption of IFRS 15 has not resulted in significant changes in accounting policies and has not resulted in adjustments to the financial statements.

The following amended standards became effective for the Organization from 1 January 2018, but did not have any material impact on the Organization:

- Amendments to IFRS 2 “Share-based Payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – “Transfers of Investment Property” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

5. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 July 2019 or later, and which the Organization has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Organization is not expecting a significant impact on its financial statements.

5. New Accounting Pronouncements (continued)

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Organization is not expecting a significant impact on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Organization is currently assessing the new standard but is not expecting a significant impact on its financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Organization is not expecting a significant impact on its financial statements.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Organization is not expecting an impact from this standard on its financial statements.

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.

5. New Accounting Pronouncements (continued)

The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Organization is not expecting a significant impact on its financial statements.

Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires remeasuring net defined benefit liability or asset.

The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The Organization is currently assessing the impact of the amendments on its financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a Organization of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations acOrganizationing the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Organization is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Organization’s financial statements.

6. Property and equipment

	Land and building	Leasehold improvements	IT equipment	Furniture & equipment	Vehicles	Laptops	Total
<i>Cost</i>							
As at 1 July 2017	-	933,960	427,606	132,773	49,275	529,279	2,072,893
Additions	-	14,563	27,520	19,693	19,949	70,309	152,034
Write offs and disposals	-	-	(19,234)	-	(28,860)	(39,279)	(87,373)
As at 30 June 2018	-	948,523	435,892	152,466	40,364	560,309	2,137,554
Additions	6,464,519	60,867	86,741	15,564	-	102,200	6,729,891
Disposals	-	-	-	-	-	(348,358)	(348,358)
As at 30 June 2019	6,464,519	1,009,390	522,633	168,030	40,364	314,151	8,519,087
<i>Accumulated depreciation</i>							
As at 1 July 2017	-	813,814	362,371	95,582	46,397	401,434	1,719,598
Charge for the year	-	21,300	59,371	14,884	3,260	72,876	171,691
Write offs and disposals	-	-	(19,236)	-	(28,860)	(38,337)	(86,433)
As at 30 June 2018	-	835,114	402,506	110,466	20,797	435,973	1,804,856
Charge for the year	64,645	22,205	32,547	15,895	4,379	79,229	218,900
Disposals	-	-	-	-	-	(340,280)	(340,280)
As at 30 June 2019	64,645	857,319	435,053	126,361	25,176	174,922	1,683,476
<i>Net book value</i>							
As at 30 June 2018	-	113,410	33,386	42,000	19,567	124,336	332,699
As at 30 June 2019	6,399,874	152,071	87,580	41,669	15,188	139,229	6,835,611

6.1. Deferred income related to donated assets

	Year ended 30 June 2019	Year ended 30 June 2018
Balance as at 1 July 2018	594	4,331
Donation received during the year	6,514,013	-
Release to income during the year	(68,973)	(3,737)
Balance as at 30 June 2019	6,445,634	594

From 1 January 2019, following a decision taken from the Assembly of the Municipality of Prishtina, to renew the Organizations right to use the premises of the Campus for another 50 years, management decided to revise the nominal value of the Land and Building based on the valuation report performed by an independent external valuation specialist. Previously, the nominal value of the asset was measured to be zero.

From 1 January 2019 the revised nominal value of the Land and Premises of the Campus in amount of EUR 6,514,013 will be reduced each year by the depreciation amount calculated on a straight line basis over the next 50 years.

7. Accounts receivable and other assets

	30 June 2019	30 June 2018
Tuition receivables	280,790	300,490
Training and Development Institute (“TDI”) receivables	48,097	34,779
Donation receivables	6,100	23,964
Advances	72,006	55,039
Other receivables	18,651	28,476
Total gross receivables	425,644	442,748
Allowance for expected credit losses	(231,164)	(183,508)
Total net receivables	194,480	259,240

Allowance for expected credit losses is related to tuition, TDI, donation and other receivables.

7. Account receivable and other assets (continued)

The ageing of trade receivables from tuition fees receivable is as follows:

	30 June 2019	30 June 2018
Not past due	-	-
Between 1 and 30 days past due	98	-
Between 31 and 90 days past due	6,518	8,429
Between 91 and 180 days past due	64,700	74,438
Between 181 and 360 days past due	25,965	34,070
More than 360 days past due	183,509	183,553
Total gross receivables from tuition	280,790	300,490
<i>Less: Allowance for Expected Credit Losses</i>	<i>(231,164)</i>	<i>(183,508)</i>
Receivables from tuition, net	49,626	116,982

Details in regards of the method used and provision rates for impairment of trade receivables are disclosed in Note 3.

Movement in the impairment provision for trade and other receivables is as follows:

	30 June 2019	30 June 2018
Balance at beginning of the year	183,508	169,957
Impact of IFRS 9	35,005	-
Impairment charge for the year	44,668	27,441
Recoveries for the year	(18,295)	(11,889)
Amounts written-off: TDI income	(12,640)	-
Amounts written-off: tuition fees	(1,082)	(2,001)
Balance at the end of the year	231,164	183,508

8. Cash and cash equivalents

Cash balances of RIT Kosovo (A.U.K.) as of 30 June 2019 and 30 June 2018 are comprised as follows:

<i>In EUR</i>	30 June 2019	30 June 2018
Cash on hand	2,260	1,709
Cash at local banks – AUKF Inc.	41,610	25,461
Cash at banks	375,614	563,172
Cash and balances with banks	419,484	590,342
Accounts with AUKF – NY	1,488,656	1,378,595
Deposits with original maturity up to three months	421,505	251,328
Total cash and cash equivalents	2,329,645	2,220,265

Accounts with AUKF-NY represents liquid funds deposited in USA, where the Organization has access for use in its activity (see note 19).

Deposits of RIT Kosovo (A.U.K.) as of 30 June 2019 and 30 June 2018 are comprised as follows:

	30 June 2019	30 June 2018
Flexi deposits with TEB	420,502	200,328
Flexi deposits with RBKO	1,003	51,001
Deposits with paypal	-	2,170
Total	421,505	253,499

8. Cash and cash equivalents (continued)

Cash and cash equivalents at banks consist of flexi and current accounts held with some of the largest local and international banks.

The credit risk rating of international banks has been presented in the table below, while for local banks which are part of international banking groups, credit risk rating of their respective banking group is presented.

Bank	Group Company	Rating Agency	Long – term credit rating	Outlook
Raiffeisen Bank Kosovo	Raiffeisen Bank International AG	Standard and Poor's	BBB+	Positive
TEB Bank	TEB A.Sh	Fitch	AA	Stable
ProCredit Bank Kosovo	ProCredit Holding	Fitch	BBB	Stable
NLB Prishtina	NLB Group	Fitch	BB	Stable
Morgan Stanley	Morgan Stanley	Standard and Poor's	A+	Stable

9. Scholarship fund

	30 June 2019	30 June 2018
Scholarship fund payable	204,312	190,609
Total	204,312	190,609

10. Deferred income: Tuition fees

	30 June 2019	30 June 2018
Undergraduate	266,675	230,159
TDI	11,302	11,970
Summer program	103,685	37,543
Total	381,662	279,673

Deferred income: Tuition fees comprise prepayments made by students for the upcoming classes.

11. Accounts payable and accrued expenses

	30 June 2019	30 June 2018
Accounts payable	100,651	87,169
Accrued expenses	10,387	29,077
Total	111,038	116,246

12. Fee income

	30 June 2019	30 June 2018
Undergraduate program	2,577,443	2,705,485
Master program	18,910	-
TDI	294,880	233,855
Contribution to scholarship fund	(371,310)	(356,067)
Total	2,519,923	2,583,273

The contribution to scholarship fund is allocated by the Organization to provide scholarships to students who meet certain criteria. Total revenue before contributions is presented in the table above, and contributions to the scholarship funds are deducted from such total, resulting in net revenue recognised during the period.

Revenue from the Institute for Development and Training ("TDI") represent income from trainings offered. TDI is part of the organizational structure of the Organization.

13. Income from special programs and other income

	30 June 2019	30 June 2018
Special Program - USAID TLP	221,103	290,363
Special Program - Summer Program	101,522	167,377
Special Program – TDI	119,113	43,017
Income from rent	9,461	12,350
Recoveries from receivables (see note 5)	18,295	11,889
Income from sale of books	9,620	7,840
Income from dormitories	13,510	5,430
Net gain from disposal of equipment	1,414	2,453
Late payment fees	-	350
Special program – Other	29,638	-
Other	24,254	6,207
Total	547,930	547,276

Special Program - USAID TLP consists of income earned pursuant to a Cooperative Agreement between the U.S. Agency for International Development (“USAID”), and the Organization whereby the Organization is awarded with funds to use for the “Transformational Leadership Immersion & Public Service Courses Program”. The agreement was effective from 24 April 2014 and the completion date of the award was 24 April 2019.

14. Grants and donations income

	30 June 2019	30 June 2018
Grants received from related parties (note 25)	23,056	40,494
Grants and donations	41,179	13,195
Grants related to assets released to income (note 6)	68,973	3,737
Total	133,208	57,426

15. Interest income

Interest income of EUR 6,465 (30 June 2018: EUR 2,059) consists of interest earned on deposits and balances with banks.

16. Staff salaries and benefits

	30 June 2019	30 June 2018
Administrative staff salaries	475,242	524,532
International academic salaries	157,160	127,750
Academic staff salaries	465,875	528,570
Special program salaries	139,919	210,596
Pension contributions	54,277	57,444
TDI salaries	48,892	43,981
Health insurance	37,377	38,486
Per diem	1,359	1,409
Total	1,380,101	1,532,768

The number of employees as at 30 June 2019 is 82 (30 June 2018: 91).

17. Academic consulting fees

Fees of EUR 783,763 (2018: EUR 666,030) represent amounts paid to the Rochester Institute of Technology (“RIT”), a United States not for profit education institution for undergraduate and graduate programs. These fees are based on the agreement dated 21 January 2013 between the Organization and RIT for the provision of experts and certain educational services provided by RIT to the Organization.

18. Training and Development Institute Direct costs (‘TDI’)

	30 June 2019	30 June 2018
IT, Business and Management Courses	205,996	150,445
Total	205,996	150,445

19. Other operating expense

	30 June 2019	30 June 2018
Depreciation	218,900	171,691
Special programs/Summer Program	141,004	112,689
Marketing costs	90,766	115,197
Repairs and maintenance	64,994	65,387
Security costs	63,394	76,156
Academic events	44,376	51,381
Telephone and internet	34,200	30,938
Utilities	33,614	37,367
Office supplies	19,868	28,449
Audit and legal fees	13,412	16,933
Bank charges	12,624	8,949
Travel expenses	12,120	8,801
Other expenses	11,273	8,436
Property tax and Insurance	11,151	11,239
Energy and fuel costs	8,893	13,668
Representation	6,914	15,730
Faculty housing costs	4,500	-
U.S.A. office costs	3,349	3,187
Admission test fee	2,344	4,929
Amortisation	-	297
Total	797,696	781,424

20. Germia campus premises

Pursuant to a Memorandum of Understanding signed between the Organization and the Ministry of Education, Science and Technology of Kosovo, followed by a contract between the Organization and the Municipality of Pristina, the Organization will use the “Germia Campus” educational facility for a period of ten years commencing from 1 July 2005 with the possibility of renewal after the expiry of this term. The contract specifies that the Organization will use the site on a rent-free and tax-free status during this period. The decision to renew the contract for an additional period of fifty years at the end of 2018 was taken by the Assembly of the Municipality of Pristina. As described in Note 2, both the asset and the grant are measured at nominal value, which for the previous financial year ending on 30 June 2018 was determined to be zero but which on 1 January 2019 has been revised and determined to be EUR 6,514,013 based on the valuation report issued by a certified independent external valuation specialist, engagement by the management. The revised nominal value, will be depreciated on a straight line basis over the next 50 years, which is the term that Municipality as approved.

Furthermore, the renovation and reconstruction of the “Germia Campus” which was carried out by Mabetex Corporation from February 2005 to October 2005, was performed on a donor basis and the contract between AUK and the Municipality of Prishtina specifies that such renovation shall remain the property of the owner.

Therefore, only costs incurred by AUK were capitalised and included in leasehold improvements as shown in Note 3.

21. Financial risk management

The risk management function within the Organization is carried out in respect of financial risks, operational risks and legal risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks, while, financial risk comprises from the following:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risks (including currency risk, interest rate risk and other price risk)

This note presents information about the Organization’s exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework. The Board of Trustees has overall responsibility for the establishment and oversight of the Organization’s risk management framework. The Board is responsible for developing and monitoring the Organization’s risk management policies. The Organization’s risk management policies are established to identify and analyse the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Organization, through management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The management of the Organization performs frequent monitoring over all positions of assets and liabilities, income and expenses, applying the best practices. The management, based on this analysis on profitability, liquidity and the cost of funds, implements measures in respect to credit, market and liquidity risk, thus limiting the possible negative effects from external financial uncertainty. In this way the Organization responds to the challenges of the market environment, maintaining a stable capital and liquidity position.

(a) Credit risk

The Organization takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Organization’s sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk management. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks.

The Organization’s maximum exposure to credit risk by class of assets is as below:

	30 June 2019	30 June 2018
Cash and cash equivalents	417,224	588,633
Accounts with AUKF-NY	1,488,656	1,376,424
Deposits	421,505	253,499
Net accounts receivable and other assets	122,474	204,201
Total maximum exposure to credit risk	2,032,635	2,422,757

The Organization believes that the unimpaired amounts that are past due are still collectible, based on historical payment behavior, ageing and counterparties credit risk. For the aging of accounts receivable please refer to note 7 “Accounts receivable and other assets”.

(b) Liquidity risk

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

i. Management of liquidity risk

The Organization’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 severe conditions, without incurring unacceptable losses or risking damage to the Organization’s reputation.

22. Financial risk management (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date:

30 June 2019	Contractual cash flows			
	Carrying amount	Up to 6 months	6 to 12 months	Over 1 year
Financial liabilities				
Accounts payables and accrued expenses	111,038	111,038	-	-
Total	111,038	111,038	-	-

30 June 2018	Contractual cash flows			
	Carrying amount	Up to 6 months	6 to 12 months	Over 1 year
Financial liabilities				
Accounts payables and accrued expenses	116,246	116,246	-	-
Total	116,246	116,246	-	-

The long-term payables are based on agreements and related payment schedules agreed with third parties. Following the support received from the Shareholder during the start-up phases (see note 1), management believes that the Organization will be able to repay its liabilities using expected cash inflows from its revenue and will generate positive cash flows over time.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i. Exposure to foreign exchange risk

Currency risk arises from the change in price of one currency against another. The currency risk is managed through monitoring of open foreign exchange positions. The Organization does not use any derivative instrument to hedge its foreign currency risk. The Organization's exposure to foreign currency risk as translated in EUR is as follows:

Assets denominated in USD	30 June 2019	30 June 2018
Deposits and accounts with AUKF-NY	1,336,923	1,226,862
Cash balances with local banks	35,334	9,561
Total exposure to foreign exchange risk	1,372,257	1,236,422

An analysis of the Organization's sensitivity to an increase or decrease of 5% in the exchange rate for USD is as follows:

Change in surplus/(deficit)	2019	2018
+5% of Euro	68,553	61,821
- 5% of Euro	(68,553)	(61,821)

ii. Exposure to interest rate risk

The Organization generates interest income from short term investments. The Organization does not pay interest on liabilities. Below is the analysis of financial assets and liabilities:

	30 June 2019			30 June 2018		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
Cash and cash equivalents	421,505	1,908,140	2,329,645	251,328	1,968,937	2,220,265
Accounts receivable	-	353,638	353,638	-	387,709	387,709
Total exposure to interest risk	421,505	2,261,778	2,683,283	251,328	2,356,646	2,607,974

22. Financial risk management (continued)

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

Change in surplus/(deficit)	30 June 2019	30 June 2018
100 bp increase	4,215	2,513
100 bp decrease	(4,215)	(2,513)

22. Fair value disclosures

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The tables below show the fair value of financial assets and liabilities not measured at fair value but for which fair value is disclosed as at 30 June 2019 and 30 June 2018:

30 June 2019		Carrying amount	Fair Value
Cash and cash equivalents	9	2,329,645	2,329,645
Accounts receivable	7	353,638	353,638
Total		2,683,283	2,683,283

30 June 2018		Carrying amount	Fair Value
Cash and cash equivalents	9	2,220,263	2,220,263
Accounts receivable	7	387,709	387,709
Total		2,607,972	2,607,972

Financial assets carried at amortized cost. The fair value of accounts receivable approximates carrying value because of their short-term nature.

Liabilities carried at amortized cost. The fair value of accounts payable is determined using valuation techniques. The estimated fair value is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of accounts payable is approximately equal to their carrying value due to their short term nature.

23. Contingencies and commitments

RIT Kosovo (A.U.K) has no commitments and contingencies as at the year end.

24. Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. AUKF-NY is a not for profit organization which is founded by the Board of the Organization for the purpose of supporting the Organization for developing fundraising campaigns in USA.

23. Related parties (continued)

Related parties include AUKF–NY, Board of Trustees and key management. At 30 June 2019 and 2018, the outstanding balances with related parties were as follows:

<i>Balances and transactions with related parties</i>	30 June 2019	30 June 2018
Account with AUKF –NY	1,488,656	1,378,595
Total	1,488,656	1,378,595

The income and expense items with related parties for the year ended 30 June 2019 and 2018 were as follows:

<i>Transactions with related parties</i>	30 June 2019	30 June 2018
Grant income	23,056	40,494
Total	23,056	43,681

<i>Key management personnel</i>	30 June 2019	30 June 2018
Personnel costs	243,272	273,217
Total	243,272	273,217

25. Events after the reporting period

No material events subsequent to the reporting date have occurred which require disclosure in the financial statements.

26. Accounting policies before 1 July 2019

Accounting policies applicable to the comparative period ended 30 June 2018 that were amended by IFRS 9 and IFRS 15, are as follows.

Financial instruments key measurement terms

Depending on their classification financial instruments are carried at amortised cost or fair value as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

26. Accounting policies before 1 July 2019 (continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. *Loans and receivables* are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Organization intends to sell in the near term. The Organization's loans and receivables comprise of trade receivables and cash and cash equivalents in the statement of financial position.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year in the period in which they arise. Other financial liabilities are carried at amortised cost. The Organization's other financial liabilities comprise of trade payables and 'borrowings' in the statement of financial position.

Initial recognition of financial instrument. Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Organization derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Organization has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

26. Accounting policies before 1 July 2019 (continued)

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Organization determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Organization considers in determining whether a financial asset is impaired are its overdue status and realizability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Organization obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of any discount. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenues from services rendered are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Cash may be received from customers in advance of when related revenues are allowed to be recognized. This is presented as either a prepayment received from customers and it is classified as a liability, until the moment the revenue is recognised.