



**AMERICAN UNIVERSITY  
IN KOSOVA FOUNDATION**

**FINANCIAL STATEMENTS**

*For the year ended June 30, 2007*

**AMERICAN UNIVERSITY IN KOSOVA FOUNDATION**

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## INDEPENDENT AUDITORS' REPORT

### To the management of the American University in Kosova Foundation

We have audited the accompanying financial statements of American University in Kosova Foundation ("AUKF"), which comprise the balance sheet as at June 30, 2007, and the statement of revenue and expenditure, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements of AUKF present fairly, in all material respects, the financial position of AUKF as at June 30, 2007, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Prishtina, Kosova  
August 15, 2007

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION

**Balance Sheet**

As at June 30, 2007

	Notes	June 30, 2007 (in EUR)	June 30, 2006 (in EUR)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	934,539	976,907
Intangible assets	4	12,631	-
Total non-current assets		947,170	976,907
<b>Current assets</b>			
Accounts receivable	5	396,448	262,798
Held to maturity investments	6	234,400	234,400
Cash and bank balances	7	1,058,943	1,489,727
Total current assets		1,689,790	1,986,925
<b>TOTAL ASSETS</b>		<b>2,636,960</b>	<b>2,963,832</b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current liabilities</b>			
Deferred revenue : Tuition fees	8	104,150	165,050
Accounts payable and accrued expenses	9	149,708	39,871
Total current liabilities		253,858	204,921
<b>Non-current liabilities</b>			
Deferred revenue: Donated assets	3	-	55,336
Total non-current liabilities		-	55,336
<b>Reserves</b>			
Retained surplus		2,383,102	2,703,575
Total reserves		2,383,102	2,703,575
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>2,636,960</b>	<b>2,963,832</b>

The financial statements have been signed and authorised for issue on behalf of Board of Directors on August 15, 2007 by:

**Christopher G. L. Hall**

**Ilir Krasniqi**

\_\_\_\_\_  
President

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Chief Financial Officer

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

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION

**Statement of Revenue and Expenditure**

**For the year ended June 30, 2007**

	Notes	Year ended June 30, 2007 (in EUR)	Year ended June 30, 2006 (in EUR)
<b>Revenue</b>			
Fee	10	2,359,160	1,465,362
Grant income	11	35,165	8,996
Interest income		48,452	39,708
Income from donated assets	3	14,446	11,910
Other revenues		11,358	5,794
Gain on sale of asset		1,533	-
<b>Total revenue</b>		<b>2,470,114</b>	<b>1,531,770</b>
<b>Expenditure</b>			
Staff and Faculty salaries and benefits		764,046	630,679
Staff pension contributions		18,680	16,454
Bonus		53,788	-
Faculty housing costs		32,575	41,662
Rent		-	13,847
Academic consulting fees	12	1,121,816	729,393
Marketing costs		87,175	75,775
Telephone and internet		56,663	62,889
Energy and fuel costs		17,829	24,972
Repairs and maintenance		23,030	16,528
Depreciation	3	212,553	137,023
Amortisation of intangible assets	4	4,154	-
Loss on disposal of property		-	4,704
Office supplies		43,233	30,250
Admission test fee		62,773	32,314
AUKF U.S.A. office costs		73,587	90,741
Foreign exchange loss		1,778	2,765
Audit and legal fees		15,941	25,398
Travel expenses		20,925	12,665
Security costs		44,320	35,333
Academic events		19,679	16,315
Utilities		70,778	62,205
Bank charges		6,603	5,493
Miscellaneous		38,661	30,372
<b>Total expenditure</b>		<b>2,790,587</b>	<b>2,097,777</b>
<b>Net deficit for the year</b>		<b>(320,473)</b>	<b>(566,007)</b>

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

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION  
**Statement of Changes in Net Assets**  
**For the year ended June 30, 2007**

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	<b>Retained surplus (in EUR)</b>	<b>Total Reserves (in EUR)</b>
Balance as at July 1, 2005	3,269,582	3,269,582
Net deficit for the year ended June 30, 2006	<u>(566,007)</u>	<u>(566,007)</u>
<b>Balance as at June 30, 2006</b>	2,703,575	2,703,575
Net deficit for the year ended June 30, 2007	(320,473)	(320,473)
<b>Balance as at June 30, 2007</b>	<u><u>2,383,102</u></u>	<u><u>2,383,102</u></u>

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

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION  
**Notes to the Financial Statements**  
For the year ended June 30, 2007

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	<b>Year ended June 30, 2007 (in EUR)</b>	<b>Year ended June 30, 2006 (in EUR)</b>
<b>Cash flows from operating activities</b>		
Net deficit for the year	(320,473)	(566,007)
Adjustments for:		
Depreciation of property, plant and equipment	212,553	137,023
Amortisation of intangible assets	4,154	-
(Gain) / loss on disposal of property	(1,533)	4,704
Grant revenue	(35,165)	(8,996)
Release of deferred income on donated assets	(14,446)	(11,910)
Interest income	(48,452)	(39,708)
<b>Operating loss before changes in operating assets and liabilities</b>	<u>(203,362)</u>	<u>(484,894)</u>
<b>Changes in operating assets and liabilities</b>		
Increase in accounts receivable	(133,650)	(82,167)
(Decrease) / increase in deferred revenue: tuition fees	(60,900)	5,492
Increase in accounts payable and accrued expenses	109,838	11,378
<b>Net cash used in operating activities</b>	<u>(288,074)</u>	<u>(550,191)</u>
<b>Cash flows from investing activities</b>		
Interest received	42,920	51,328
Purchase of property, plant and equipment	(205,543)	(851,787)
Purchase of intangible asset	(16,785)	-
Disposal proceeds from sale of asset	1,533	
Proceeds from realisation of time deposits	-	2,265,600
<b>Net cash (used in) / from investing activities</b>	<u>(177,875)</u>	<u>1,465,141</u>
<b>Cash flows from financing activities</b>		
Grant received	35,165	8,996
<b>Net cash from financing activities</b>	<u>35,165</u>	<u>8,996</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(430,784)	923,946
Cash and cash equivalents at the beginning of the year	1,489,727	565,781
<b>Cash and cash equivalents at end of year (Note 7)</b>	<u><u>1,058,943</u></u>	<u><u>1,489,727</u></u>

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

**Notes to the Financial Statements**

**For the year ended June 30, 2007**

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**1. INTRODUCTION**

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

The AUKF was established for the purpose of establishment, supporting and operation of the American University in Kosova (“the University”). The Union Fund for the Reconstruction of Kosovo (UFORK) provided the initial funding for AUKF. According to the agreement with UFORK, the AUKF has become a four-year, English language institution accredited within both Kosova and the United States of America. The Board of Directors of AUKF is composed of six Americans and four Kosovars as directors and is managing AUKF.

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

**2.1 Basis of preparation**

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

**2.2 Currency of presentation**

The reporting currency of AUKF is the European Union currency unit (EUR) being the legal tender in the territory of Kosova.

**2.3 Statement of compliance**

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

IFRS 8 Operating segments	Effective for annual periods beginning on or after January 1, 2009
IFRIC 12 Service Concession agreements	Effective for annual periods beginning on or after January 1, 2008
IFRIC 13 Customer Loyalty Program	Effective for annual periods beginning on or after July 1, 2008

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



**Notes to the Financial Statements**

**For the year ended June 30, 2007**

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

**2.4 Significant accounting policies**

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

**2.4.1 Cash and cash equivalents**

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

**2.4.2 Property, plant and equipment**

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

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

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

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

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

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

Leasehold buildings improvements	10%
Computers and related equipment	33%
Furniture, fixtures and equipment	20%
Vehicles	20%

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

## Notes to the Financial Statements

For the year ended June 30, 2007

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

#### **2.4.3 Intangible assets**

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

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

#### **2.4.4 Foreign currency transactions**

Transactions in currencies other than EUR are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on the balance sheet date. Profits and losses arising on translation are recorded in the statement of revenue and expenditure in the period in which they arose.

#### **2.4.5 Grants related to assets**

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

#### **2.4.6 Grants related to income**

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

#### **2.4.7 Revenue recognition**

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

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

#### **2.4.8 Taxation**

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

#### **2.4.9 Use of estimates**

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.

**Notes to the Financial Statements**

**For the year ended June 30, 2007**

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

**2.4.10 Retirement benefit costs**

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

**2.4.11 Financial assets**

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

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

*Held to maturity*

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

**2.4.12 Impairment of assets**

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

**2.4.13 Scholarship fund**

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

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION  
**Notes to the Financial Statements**  
For the year ended June 30, 2007

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**3. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold buildings improvements  (in EUR)</b>	<b>Computers and related equipment  (in EUR)</b>	<b>Furniture, fixtures and equipment  (in EUR)</b>	<b>Vehicles  (in EUR)</b>	<b>Assets under construction*  (in EUR)</b>	<b>Total  (in EUR)</b>
<b>Cost</b>						
As at June 30, 2005	-	135,100	55,529	31,329	76,954	298,912
Additions	91,552	233,637	63,463	23,619	500,546	912,817
Transfers	76,524	-	430	-	(76,954)	-
Disposals	(5,040)	-	-	-	-	(5,040)
As at June 30, 2006	163,036	368,737	119,422	54,948	500,546	1,206,689
Additions	25,111	66,676	55,233	3,393	64,701	215,113
Transfers	535,935	-	29,311	-	(565,246)	-
Repossession / Disposals	-	** (61,030)	-	(14,723)	-	(75,753)
<b>As at June 30, 2007</b>	<b>724,082</b>	<b>374,383</b>	<b>203,966</b>	<b>43,618</b>	<b>-</b>	<b>1,346,049</b>
<b>Accumulated depreciation</b>						
As at June 30, 2005	-	59,662	23,280	10,153	-	93,095
Charge for the year Relating to disposals	13,721 (336)	94,188 -	20,236 -	8,878 -	- -	137,023 (336)
As at June 30, 2006	13,385	153,850	43,516	19,031	-	229,782
Charge for the year Relating to repossession / disposals	72,538 -	100,949 (20,140)	28,164 -	10,901 (10,685)	- -	212,553 (30,825)
<b>As at June 30, 2007</b>	<b>85,923</b>	<b>234,659</b>	<b>71,680</b>	<b>19,247</b>	<b>-</b>	<b>411,510</b>
<b>Net book value As at June 30, 2007</b>	<b>638,159</b>	<b>139,724</b>	<b>132,286</b>	<b>24,371</b>	<b>-</b>	<b>934,539</b>
<b>As at June 30, 2006</b>	149,651	214,887	75,906	35,917	500,546	976,907

**Notes to the Financial Statements****For the year ended June 30, 2007****3. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

**Deferred income related to donated assets**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Opening balance at the beginning of the year	55,336	6,216
Receipt of assets during the year	-	61,030
Release to income during the year	(14,446)	(11,910)
Discharge of deferred income on repossession by the donor	<u>(40,890)</u>	<u>-</u>
Closing balance at the end of the year	<u>-</u>	<u>55,336</u>

**4. INTANGIBLE ASSET**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Purchase of software	<u>16,785</u>	<u>-</u>
	<b>16,785</b>	<b>-</b>
Amortisation for the year	(4,154)	-
<b>Net book value at the end of the year</b>	<u><b>12,631</b></u>	<u><b>-</b></u>

**5. ACCOUNTS RECEIVABLE**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Cosidered good - fee receivable	383,218	236,822
Accrued interest	10,079	4,547
Advances and prepayments	<u>3,151</u>	<u>21,429</u>
<b>Total accounts receivables</b>	<u><b>396,448</b></u>	<u><b>262,798</b></u>

Fees receivable from students represents fee for 2006 - 2007 academic year.

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION  
**Notes to the Financial Statements**  
**For the year ended June 30, 2007**

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**6. HELD TO MATURITY INVESTMENTS**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Time deposits in local bank	234,400	234,400
Total held to maturity investments	<u>234,400</u>	<u>234,400</u>

The time deposit is held at a local bank at effective interest rate of 4.3% p.a. maturing in May 2008.

**7. CASH AND BANK BALANCES**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Cash in hand	4,294	1,950
Cash at banks		
- in current accounts	150,874	687,777
- in deposit account	903,775	800,000
	<u>1,058,943</u>	<u>1,489,727</u>

The deposit account held in a foreign bank carries interest in the range of 0.13% to 0.30% per month. There is EUR 5,400 as restricted cash in a local bank against a bank guarantee expiring on July 31, 2007.

**8. DEFERRED REVENUE: TUITION FEES**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Balance as at July 1	165,050	159,558
Tuition fees received during the year	2,201,073	1,512,912
Earned during the year – fee for graduation	(1,867,286)	(1,507,420)
Earned during the year – fee for Master program	(394,688)	-
<b>Balance as at June 30</b>	<u>104,150</u>	<u>165,050</u>

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

AMERICAN UNIVERSITY IN KOSOVA FOUNDATION  
**Notes to the Financial Statements**  
For the year ended June 30, 2007

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**9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b>June 30, 2007 (in EUR)</b>	<b>June 30, 2006 (in EUR)</b>
Accounts payable	62,629	24,079
Accrued expenses	<u>87,079</u>	<u>15,792</u>
Total accounts payable and accrued expenses	<u><b>149,708</b></u>	<u><b>39,871</b></u>

**10. FEE**

	<b>Note</b>	<b>Year ended June 30, 2007 (in EUR)</b>	<b>Year ended June 30, 2006 (in EUR)</b>
Earned revenue – Undergraduate program	<b>8</b>	1,867,286	1,507,420
Earned revenue – Masters program	<b>8</b>	394,688	-
Revenue from AUK Institute		262,476	87,943
Fee received from applications		9,710	6,999
University funded scholarship		(175,000)	(137,000)
<b>Total fee</b>		<u><b>2,359,160</b></u>	<u><b>1,465,362</b></u>

The Masters program was started in July 2006. University funded scholarships were awarded by AUKF to worthy students fulfilling certain criteria, equivalent to EUR 175,000, for the year ended June 30, 2007 (2006: EUR 137,000).

**11. GRANT INCOME**

During the year, AUKF received donations of EUR 35,167 (2006: EUR 8,996) from various donors.

**12. ACADEMIC CONSULTING FEES**

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

**13. 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

**Notes to the Financial Statements**

**For the year ended June 30, 2007**

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each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The remuneration of the Director is determined by the Board of Directors having regard to the performance of individuals and market trends. The remuneration paid during the year was EUR 100,000 (2006: EUR 100,000) and EUR 53,788 as a bonus.

**14. SCHOLARSHIP FUNDS**

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

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

	<b>Year ended June 30, 2007 (in EUR)</b>	<b>Year ended June 30, 2006 (in EUR)</b>
As at July 1	53,766	55,703
Donations received during the year	389,016	58,167
Awards granted during the year	<u>(391,943)</u>	<u>(60,104)</u>
As at June 30	<u>50,839</u>	<u>53,766</u>

**15. GERMIA CAMPUS PREMISES**

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

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

**16. RISK MANAGEMENT**

*Credit risk*

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



**Notes to the Financial Statements**

**For the year ended June 30, 2007**

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***Interest rate risk***

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

***Foreign exchange risk***

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

***Liquidity risk***

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

***Fair value of financial instruments***

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

**17. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments for the year ending June 30, 2007.

**18. RECLASSIFICATIONS**

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

- Balance in accounts receivable and other receivables amounting of Eur 236,822 and Eur 25,976 respectively have been reclassified as accounts receivables.
- Balance in deposit accounts at local banks amounting Eur 234,400 has been reclassified from cash and bank balances to hold to maturity investment.
- Tuition fees amounting of Eur 1,507,420, University funded scholarships of Eur 137,000, Application fees of Eur 6,999 and Revenues from courses of Eur 87,943 has been reclassified to fee on the face of Statement of Revenue and expenditure.
- Miscellaneous expenditure amounting of Eur 92,936 has been reclassified into Office supplies amounting EUR 30,250, Admission test fee amounting EUR 32,314 and miscellaneous amounting EUR 30,372.