



**AMERICAN UNIVERSITY
IN KOSOVO FOUNDATION**

**Financial statements
for the year ended June 30, 2012
(with independent auditor's report thereon)**

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION

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Independent Auditors' Report

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

3 August 2012

Report on the Financial Statements

We have audited the accompanying financial statements of American University in Kosova Foundation ("AUKF"), which comprise the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AUKF as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Shpk Kosovo Branch

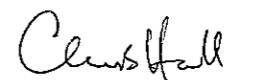
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AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Financial Position
As at June 30, 2012

	Notes	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
ASSETS			
Non-current assets			
Property and equipment	3	734,246	943,095
Intangible assets	4	26,827	8,165
Total non-current assets		761,073	951,260
Current assets			
Accounts receivable	5	726,876	902,297
Deposits with AUKF - NY	6	779,061	677,903
Short term investments	7	32,638	18,419
Cash and bank balances	8	199,132	299,058
Total current assets		1,737,707	1,897,677
TOTAL ASSETS		2,498,780	2,848,937
LIABILITIES AND RESERVES			
Current liabilities			
Scholarship fund	9	124,947	40,227
Deferred tuition fees	10	169,193	247,173
Accounts payable and accrued expenses	11	604,872	634,922
Total current liabilities		899,012	922,322
Non current liabilities			
Deferred income from donated assets	3	4,567	7,791
Total non-current liabilities		4,567	7,791
Reserves			
Retained surplus		1,595,201	1,918,824
Total reserves		1,595,201	1,918,824
TOTAL LIABILITIES AND RESERVES		2,498,780	2,848,937

The financial statements have been signed and authorised for issue on behalf of the Board of Directors on August 1, 2012 by:

Christopher G. L. Hall


 President

Ilir Krasniqi


 Chief Financial Officer

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Comprehensive Income
For the year ended June 30, 2012

	Notes	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Revenue			
Fee income	12	4,079,024	6,508,466
Grant income	13	176,554	66,519
Interest income	14	6,833	8,173
Income from donated assets	3	3,224	3,224
Other income	15	254,897	135,135
Total revenue		4,520,532	6,721,517
Expenditures			
Staff salaries and benefits	16	1,407,045	1,393,277
Faculty housing costs		16,491	17,771
Rent	17	105,494	95,613
Academic consulting fees	18	1,295,201	1,512,399
Training and Development Institute Direct costs('TDI')	19	650,353	2,641,465
Summer Program		168,170	58,344
Marketing costs		76,427	85,854
Telephone and internet		55,889	97,217
Energy and fuel costs		35,715	25,813
Repairs and maintenance		43,072	53,533
Depreciation	3	363,353	354,088
Amortisation	4	12,859	17,167
Property & equipment write off		7,113	21,647
Office supplies		59,132	50,484
Admission test fee		20,731	10,831
U.S.A. office costs		86,707	63,341
Audit and legal fees		81,048	54,488
Travel expenses		43,916	37,992
Security costs		70,877	70,819
Academic events		43,037	31,956
Utilities		135,295	102,521
Bank charges and foreign exchange net		(63,195)	13,253
Provisions against doubtful receivables	5	67,562	16,805
Miscellaneous		61,863	71,629
Total expenditure		4,844,155	6,898,307
Net deficit for the year		(323,623)	(176,790)
Other comprehensive income		-	-
Total comprehensive deficit for the year		(323,623)	(176,790)

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Changes in Fund Balance
For the year ended June 30, 2012

	Retained surplus (in EUR)	Total Reserves (in EUR)
Balance as at July 1, 2010	2,095,614	2,095,614
Net deficit for the year	<u>(176,790)</u>	<u>(176,790)</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive deficit for the year	<u>(176,790)</u>	<u>(176,790)</u>
Balance as at June 30, 2011	1,918,824	1,918,824
Net deficit for the year	<u>(323,623)</u>	<u>(323,623)</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive deficit for the year	<u>(323,623)</u>	<u>(323,623)</u>
Balance as at June 30, 2012	<u>1,595,201</u>	<u>1,595,201</u>

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Statement of Cash Flows
For the year ended June 30, 2012

		Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Cash flows from operating activities			
Net deficit for the year		(323,623)	(176,790)
Adjustments for:			
Depreciation of property and equipment	3	363,353	354,088
Amortisation of intangible assets	4	12,859	17,167
Loss on write offs of property and equipment	3	7,113	21,647
Provision/write offs against receivables	5	67,562	16,805
Bad debts reversed/recovered during the year		(6,079)	(5,092)
Income from donated assets	3	(3,224)	(3,224)
Interest income	14	(6,833)	(8,173)
Operating surplus before changes in operating assets and liabilities		111,128	216,428
Changes in operating assets and liabilities			
Change in accounts receivable	5	113,938	(413,453)
Change in deposits with AUKF NY	6	(101,158)	204,311
Change in scholarship fund	9	84,720	24,253
Change in deferred tuition fees	10	(77,980)	124,867
Change in accounts payable and accrued expenses	11	(30,050)	338,505
Net cash generated from operating activities		100,598	494,911
Cash flows from investing activities			
Interest received	14	6,833	8,173
Purchase of property and equipment	3	(161,617)	(356,215)
Purchase of intangible asset	4	(31,521)	(2,158)
Increase in short term investments	7	(14,219)	(7,494)
Net cash used in investing activities		(200,524)	(357,694)
Net (decrease) / increase in cash and cash equivalents		(99,926)	137,217
Cash and cash equivalents at the beginning of the year		299,058	161,841
Cash and cash equivalents at end of year (note 8)		199,132	299,058

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements
For the year ended June 30, 2012

1. INTRODUCTION

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Standards and Interpretations in issue not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2012, and have not been applied in preparing these financial statements. None of these are likely to have an effect on the financial statements of the AUKF, with the exception of:

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

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

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

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

2.4 Currency of presentation

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

2.5 Significant accounting policies

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

2.5.1 Property and equipment

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

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

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

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

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

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

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

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

2.5.2 Intangible assets (Software)

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

2.5.3 Foreign currency transactions

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

2.5.4 Grants related to assets and expenses

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

2.5.5 Revenue recognition

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

Interest income is recognized using the effective interest method.

2.5.6 Taxation

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

2.5.7 Lease payments

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

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

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

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

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

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

2.5.10 Retirement benefit costs

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

2.5.11 Financial assets and liabilities

(i) Recognition

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

(ii) Derecognition

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

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

(iii) Offsetting

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

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

(iv) Measurement

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

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

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

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

2.5.11 Financial assets and liabilities (continued)

(v) Impairment (continued)

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

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

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

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

2.5.12 Scholarship fund

AUKF is the custodian of various scholarship funds provided by governmental and non-governmental organisations. The funds are awarded to students qualifying for scholarships under the criteria set out by the various donor organisations.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2012

3. PROPERTY AND EQUIPMENT

	Leasehold buildings improvements (in EUR)	Computers and related equipment (in EUR)	Furniture, fixtures and equipment (in EUR)	Vehicles (in EUR)	Laptops (in EUR)	Total (in EUR)
Cost:						
As at July 1, 2010	775,726	574,957	285,748	63,833	473,250	2,173,514
Additions	46,000	151,186	9,675	-	149,354	356,215
Write offs	-	-	-	-	(86,587)	(86,587)
As at June 30, 2011	821,726	726,143	295,423	63,833	536,017	2,443,142
Additions	-	41,437	1,818	-	118,362	161,617
Write offs	-	-	-	-	(10,670)	(10,670)
As at June 30, 2012	821,726	767,580	297,241	63,833	643,709	2,594,089
Accumulated depreciation:						
As at July 1, 2010	307,858	494,528	203,607	27,542	177,364	1,210,899
Charge for the year	79,906	76,079	37,661	11,014	149,428	354,088
Write offs	-	-	-	-	(64,940)	(64,940)
As at June 30, 2011	387,764	570,607	241,268	38,556	261,852	1,500,047
Charge for the year	82,173	87,774	26,557	9,520	157,329	363,353
Write offs	-	-	-	-	(3,557)	(3,557)
As at June 30, 2012	469,937	658,381	267,825	48,076	415,624	1,859,843
Net book value:						
As at June 30, 2012	351,789	109,199	29,416	15,757	228,085	734,246
As at June 30, 2011	433,962	155,536	54,155	25,277	274,165	943,095

* Included in write offs, are laptops with a total net book value of EUR 7,113 (2011: EUR 21,647) at the date of transfer from AUKF to students based on agreements with them to sell each laptop at a notional price of EUR 1 each.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2012

3. PROPERTY AND EQUIPMENT (CONTINUED)

Deferred income related to donated assets

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Balance as at July 1	7,791	11,015
Donation received during the year	-	-
Release to income during the year	(3,224)	(3,224)
Balance as at June 30	4,567	7,791

4. INTANGIBLE ASSETS

	Software (in EUR)
Cost	
Balance as at July 1, 2010	68,853
Additions during the year	2,158
Balance as at June 30, 2011	71,011
Additions during the year	31,521
Balance as at June 30, 2012	102,532
Accumulated amortization	
Balance as at July 1, 2010	45,679
Amortisation for the year	17,167
Balance as at June 30, 2011	62,846
Amortisation for the year	12,859
Balance as at June 30, 2012	75,705
Net book value	
As at June 30, 2012	26,827
As at June 30, 2011	8,165

5. ACCOUNTS RECEIVABLE

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
Tuition receivables	207,836	187,708
Training and Development Institute (“TDI”) receivables	623,696	616,432
Advances and prepayments	32,017	171,824
Other receivables	14,927	16,450
Accounts receivables	878,476	992,414
Provisions against doubtful receivables	(151,600)	(90,117)
Write off of bad debts	-	-
Balance as at June 30	726,876	902,297

Tuition receivables balance as at June 30, 2012 represent fees for the 2011 - 2012 academic year.

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2012

5. ACCOUNTS RECEIVABLE (CONTINUED)

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

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Balance as at July 1	90,117	76,590
Charge for the year	67,562	16,805
Recovered during the year	(6,079)	(3,278)
Balance as at June 30	151,600	90,117

Below is presented the aging of tuition and TDI receivables:

Receivables	Less than six month	Six months to one year	Older than one year	Total
Tuition receivables	49,368	18,369	140,099	207,836
Training and Development Institute ("TDI") receivables	623,696	-	-	-
Total	673,064	18,369	140,099	831,532

6. DEPOSITS WITH AUKF - NY

American University in Kosovo Foundation Inc., a New York, non-profit charitable foundation (AUKF-NY) was formed for the purposes of contributing to the advancement of education and science through soliciting the support and contribution of the general public, as well as private, public, governmental and non-governmental organizations for the establishment, operation and management of an American University in Kosovo. AUKF-NY provides technical assistance to AUKF in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUKF through American University in Kosovo Foundation International (Kosovo), which is a separate legal entity from AUKF. During the year ended June 30, 2012, EUR 304,319 (2011: EUR 310,864) were provided by AUKF NY for such international technical assistance services.

Based on the agreement dated January 6, 2009 all the billings are on an actual cost basis and no surplus is charged between the entities. Deposits with AUKF-NY in the amount of EUR 779,061 as at 30 June 2012 (30 June 2011: EUR 677,903) represent the cash transferred to AUKF-NY during 2011/12 in excess of amounts transferred for expenditures.

7. SHORT TERM INVESTMENTS

Short term investments represent deposits with flexi accounts held at local banks in Kosovo with effective interest rate of 1.2% - 3.0% p.a. (2011: 3.0% p.a.).

8. CASH AND BANK BALANCES

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
Cash in hand	5,347	10,145
Cash at banks	193,785	288,913
Balance as at June 30	199,132	299,058

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2012

9. SCHOLARSHIP FUND

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

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

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
As at July 1	40,227	15,974
Donations received during the year	875,977	1,025,320
Scholarships granted during the year	<u>(791,257)</u>	<u>(1,001,067)</u>
As at June 30	<u>124,947</u>	<u>40,227</u>

10. DEFERRED TUITION FEES

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
Undergraduate	97,933	108,642
Graduate	-	111,563
Summer program	<u>71,260</u>	<u>26,968</u>
Balance as at June 30	<u>169,193</u>	<u>247,173</u>

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

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
Accounts payable	476,854	629,284
Accrued expenses	<u>128,018</u>	<u>5,638</u>
Balance as at June 30	<u>604,872</u>	<u>634,922</u>

12. FEE INCOME

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Earned revenue – Undergraduate program	3,270,199	2,958,836
Earned revenue – Masters program	111,563	462,187
Revenue from TDI	1,107,596	3,381,644
Fee received from applications	11,275	7,001
AUK Contribution to scholarship fund	<u>(421,609)</u>	<u>(301,202)</u>
	<u>4,079,024</u>	<u>6,508,466</u>

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

AMERICAN UNIVERSITY IN KOSOVO FOUNDATION
Notes to the Financial Statements (continued)
For the year ended June 30, 2012

13. GRANT INCOME

During the year ended June 30, 2012, AUKF received donations of EUR 176,554 (2011: EUR 66,519) from the AUKF Board of Trustees and a fundraising dinner organized by the American Chamber of Commerce in Kosova.

14. INTEREST INCOME

Interest income in the amount of EUR 6,833 (2011: EUR 8,173) consists of interest earned on investments and bank balances.

15. OTHER INCOME

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Summer Program	155,267	38,742
Late payment fees	20,212	17,600
Income from rent	38,187	32,660
Other income	41,231	46,133
	<u>254,897</u>	<u>135,135</u>

16. STAFF SALARIES AND BENEFITS

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Staff salaries	593,319	534,285
Faculty salaries	590,449	590,601
TDI salaries	104,310	116,568
Pension contributions	56,683	60,289
Bonus	11,320	47,082
Health insurance	39,093	38,312
Per Diem	11,871	6,140
	<u>1,407,045</u>	<u>1,393,277</u>

17. RENT EXPENSE

As discussed in Note 2.5.1, AUKF is provided by the Ministry of Education, Science and Technology a building owned by the Municipality of Pristina on a rent-free and tax-free basis for a period of 10 years. This resource has been treated as a government grant that compensates AUKF for expenses they would have incurred to rent this property and is recognised in profit or loss at the fair value as an offset to the related expense on a systematic basis in the same periods in which the expenses are recognized. The fair value of the government grant and the offsetting corresponding expense recognized for the twelve month period ended 30 June 2012 under Rent expense is EUR 119,937 (12 month period ended 30 June 2011: EUR 119,937).

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18. ACADEMIC CONSULTING FEES

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

19. TDI DIRECT COST

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
IT, Business and Management Courses	141,925	172,288
Teach European Computer Driving License (“ECDL” Project)	508,428	2,469,177
	650,353	2,641,465

Teach ECDL Project expenses include the TDI costs directly attributable to the agreement with the Ministry of Education Science and Technology for the provision of the ECDL Project for computer skills training of public school teachers.

20. RELATED PARTY DISCLOSURE

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

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

	Year ended June 30, 2012 (in EUR)	Year ended June 30, 2011 (in EUR)
Key management personnel compensation	128,400	136,900

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

Grant income includes an amount of EUR 107,055 donated by members of AUKF Board of Trustees.

21. GERMIA CAMPUS PREMISES

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

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For the year ended June 30, 2012

21. GERMIA CAMPUS PREMISES (CONTINUED)

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

22. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

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

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

	June 30, 2012	June 30, 2011
	(in EUR)	(in EUR)
Accounts receivable	726,876	902,297
Deposits with AUKF-NY	779,061	677,903
Short term investments	32,638	18,419
Cash and bank balances	199,132	299,058
As at June 30	<u>1,737,707</u>	<u>1,897, 678</u>

(ii) Management of credit risk

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

(b) Liquidity risk

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

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

	June 30, 2012	June 30, 2011
	Pay-down expected to be made within 12 months (EUR)	Pay-down expected to be made within 12 months (EUR)
Accounts payable and accrued expenses	604,871	634,922
As at June 30	<u>604,871</u>	<u>634,922</u>

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For the year ended June 30, 2012

22. FINANCIAL INSTRUMENTS (CONTINUED)

Management of liquidity risk

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

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

The following are the contractual maturities of financial assets and liabilities including interest payments as at 30 June 2012 and 2011:

	Carrying Amounts	6 Months or less	6-12 months	1-5 Years	More than 5 Years
30-Jun-12					
<i>Financial assets</i>					
Accounts receivable	726,876	726,876	-	-	-
Deposits with AUKF - NY	779,061	779,061	-	-	-
Short term investments	32,638	32,638	-	-	-
Cash and bank balances	199,132	199,132	-	-	-
	1,737,707	1,737,707	-	-	-
<i>Financial liabilities</i>					
Scholarship fund	(124,947)	(124,947)	-	-	-
Accounts payable and accrued expenses	(604,872)	(604,872)	-	-	-
	(729,819)	(729,819)	-	-	-
Liquidity risk at 30 June 2012	1,007,888	1,007,888	-	-	-
30-Jun-11					
<i>Financial assets</i>					
Accounts receivable	902,297	902,297	-	-	-
Deposits with AUKF – NY	677,903	677,903	-	-	-
Short term investments	18,419	18,419	-	-	-
Cash and bank balances	299,058	299,058	-	-	-
	1,897,677	1,897,677	-	-	-
<i>Financial liabilities</i>					
Scholarship fund	(40,227)	(40,227)	-	-	-
Accounts payable and accrued expenses	(634,922)	(634,922)	-	-	-
	(675,149)	(675,149)	-	-	-
Liquidity risk at 30 June 2011	1,222,528	1,222,528	-	-	-

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For the year ended June 30, 2012

22. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk

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

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

	June 30, 2012		June 30, 2011	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Accounts receivable	726,876	-	902,298	-
Deposits with AUKF-NY	779,061	-	677,903	-
Short term investments	32,638	-	18,419	-
Cash and bank balances	133,378	65,754	271,926	27,132
	1,671,953		1,870,546	
Accounts payable and accrued expenses	(604,872)	-	(634,922)	-
As at June 30	1,067,081	65,754	1,235,624	27,132

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

(d) Interest rate risk

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

Below is the analysis of financial assets and liabilities:

	As at June 30, 2012			As at June 30, 2011		
	Interest bearing	Non – interest bearing In EUR	Total	Interest bearing	Non – interest bearing In EUR	Total
Assets						
Accounts receivable	-	726,876	726,876	-	902,297	902,297
Deposits with AUKF-NY	-	779,061	779,061	-	677,903	677,903
Short term investments	32,638	-	32,638	18,419	-	18,419
Cash and bank balances	-	199,132	199,132	-	299,058	299,058
	32,638	1,705,069	1,737,707	18,419	1,879,259	1,897,678
Liabilities						
Trade and other payables	-	604,871	604,871	-	634,922	634,922
	-	604,871	604,871	-	634,922	634,922

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value of financial instruments

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

23. CONTINGENCIES AND COMMITMENTS

AUK has entered into lease commitments for TDI offices. Minimum lease commitments for the year ended June 30, 2012 and June 30, 2011 are composed as follows:

	June 30, 2012 (in EUR)	June 30, 2011 (in EUR)
Operating commitments of rent expenses:		
Not longer than one year	53,846	59,846
Total commitments	53,846	55,846

There are no other contingencies as at the year end.

24. EVENTS AFTER THE REPORTING DATE

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