

**AUK - THE AMERICAN
COLLEGE OF KOSOVA**

**Financial statements
for the year ended 30 June 2016
(with independent auditors' report thereon)**

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Independent Auditors' Report

To the Board of Directors of AUK - The American College of Kosova

16 September 2016

We have audited the accompanying financial statements of AUK - The American College of Kosova ("AUK"), which comprise the statement of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, changes in fund balance 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 AUK as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Shpk Kosovo Branch

KPMG Albania Shpk Kosovo Branch
6, Pashko Vasa Street
Pristina, Kosovo

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Financial Position as at 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	30 June 2016	30 June 2015
ASSETS			
Non-current assets			
Property and equipment	3	440,160	375,287
Intangible assets	4	1,620	6,985
Total non-current assets		441,780	382,272
Current assets			
Accounts receivable and other assets	5	182,120	160,769
Deposits	6	1,184,741	702,290
Cash and balances with banks	7	826,819	1,516,000
Total current assets		2,193,680	2,379,059
TOTAL ASSETS		2,635,460	2,761,331
LIABILITIES AND RESERVES			
Reserves			
Retained surplus		2,210,972	2,268,656
Total reserves		2,210,972	2,268,656
Non-current liabilities			
Deferred income: Donated assets	3	13,936	21,496
Total non-current liabilities		13,936	21,496
Current liabilities			
Scholarship fund	8	74,757	86,201
Deferred income: Tuition fees	9	200,090	255,688
Accounts payable and accrued expenses	10	135,705	129,290
Total current liabilities		410,552	471,179
Total liabilities		424,488	492,675
TOTAL LIABILITIES AND RESERVES		2,635,460	2,761,331

The financial statements have been signed and authorized for issue on behalf of the Board of Directors on 16 September 2016 by:

Sharon Y. Hart



President

Ilir Krasniqi



Chief Financial Officer

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	Year ended 30 June 2016	Year ended 30 June 2015
Income			
Fee income	11	3,079,742	3,435,430
Grant income	12	40,652	20,315
Interest income	13	1,736	4,143
Income from donated assets	3	9,265	7,835
Other income	14	605,366	807,385
Total		3,736,761	4,275,108
Expenditures			
Staff salaries and benefits	15	(1,608,510)	(1,503,470)
Academic consulting fees	16	(1,149,726)	(1,153,842)
Training and Development Institute Direct costs ('TDI')	17	(155,034)	(235,742)
Other operating expenses	18	(885,713)	(1,013,636)
Allowances for doubtful receivables	5	(17,402)	(19,844)
Total		(3,816,385)	(3,926,534)
Foreign exchange gains, net		21,940	98,187
Foreign exchange gains, net		21,940	98,187
Net (deficit)/surplus for the year		(57,684)	446,761
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus for the year		(57,684)	446,761

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Changes in Fund Balance for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Retained surplus	Total Reserves
Balance as at 1 July 2014	1,821,895	1,821,895
Net surplus for the year	446,761	446,761
Other comprehensive income for the year	-	-
Total comprehensive surplus for the year	<u>446,761</u>	<u>446,761</u>
Balance as at 30 June 2015	2,268,656	2,268,656
Net deficit for the year	(57,684)	(57,684)
Other comprehensive income for the year	-	-
Total comprehensive deficit for the year	<u>(57,684)</u>	<u>(57,684)</u>
Balance as at 30 June 2016	<u>2,210,972</u>	<u>2,210,972</u>

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

AUK - THE AMERICAN COLLEGE OF KOSOVA
Statement of Cash Flows for the year ended 30 June
(Amounts in Euro, unless otherwise stated)

	Notes	Year ended 30 June 2016	Year ended 30 June 2015
Cash flows from operating activities			
Net (deficit)/surplus for the year		(57,684)	446,761
Adjustments for:			
Depreciation of property and equipment	3	254,877	245,197
Amortisation of intangible assets	4	14,539	16,621
Gain from disposal of property and equipment	18	6,334	4,826
Provision expenses for the year	5	17,402	19,844
Recoveries of bad debts during the year	5	(16,172)	(13,039)
Income from donated assets	3	(9,265)	(7,835)
Interest income	13	(1,736)	(4,143)
Operating surplus before changes in operating assets and liabilities		208,295	708,232
Changes in operating assets and liabilities			
Change in accounts receivable	5	(22,581)	(27,879)
Change in deposits	6	(482,451)	35,009
Change in donated assets	3	1,705	16,724
Change in scholarship fund	8	(11,444)	(22,447)
Change in deferred tuition fees	9	(55,598)	(852,659)
Change in accounts payable and accrued expenses	10	6,415	61,327
Net cash used in operating activities		(355,659)	(81,693)
Cash flows from investing activities			
Interest received	13	1,736	4,143
Purchase of property and equipment	3	(326,084)	(183,603)
Purchase of intangible assets	4	(9,174)	(726)
Net cash used in investing activities		(333,522)	(180,186)
Net decrease in cash and cash equivalents		(689,181)	(261,879)
Cash and cash equivalents at the beginning of the year		1,516,000	1,777,879
Cash and cash equivalents at the end of the year	7	826,819	1,516,000

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

1 INTRODUCTION

AUK - The American College of Kosovo (“AUK”), previously named The American University in Kosovo Foundation – AUKF, 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.

AUK was founded for the purpose of establishing, supporting and operation of the American College in Kosovo. The Union Fund for the Reconstruction of Kosovo (“UFORK”) provided the initial funding for AUK. AUK is established as a four-year institution in English language which is accredited in Kosovo. AUK offers studies in collaboration with Rochester Institute of Technology (“RIT”), which is accredited in the United States of America. The Board of Directors of AUK is composed of thirteen members. AUK’s registered office is located at the following address: Shpëtim Robaj Street NN, 10000 Pristina, Republic of Kosovo.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Details of the accounting policies are included in Note 2.6.

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 2016, and have not been applied in preparing these financial statements. AUK is assessing the potential impact on its financial statements, resulting from the application of the following changes:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The following new or amended standards are not expected to have a significant impact on AUK’s financial statements:

Effective for annual reporting periods beginning on or after 1 January 2016:

- IFRS 14: Regulatory Deferral Accounts
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IFRS 10, 12 and IAS 28: Investment entities applying the consolidation exception
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

2.3 Standards and Interpretations in issue not yet adopted (continued)

- Amendments to IAS 1: Disclosure initiative
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 27: Equity method in separate financial statements

Effective for annual reporting periods beginning on or after 1 January 2017:

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual reporting periods beginning on or after 1 January 2019:

- IFRS 16 Leases

The effective date has not yet been determined, but early adoption is permitted for:

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture.

2.4 Functional and presentation currency

These financial statements are presented in Euro (“EUR”), which is the AUK’s functional currency.

2.5 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about critical judgments in the application of IFRSs that have an effect on the financial statements are described in note 20. In addition, judgments and estimations made in relation to the impairment of receivables are disclosed in notes 5 and 21 (a).

2.6 Significant accounting policies

AUK has consistently applied the following accounting policies to all periods presented in these financial statements.

2.6.1 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the AUK.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of property and equipment for current and comparative periods are as follows:

Leasehold improvements	10 years
IT equipment	3 years
Laptops	4 years
Furniture, fixture and equipment	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2.6.2 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 of 3 years.

2.6.3 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

2.6.4 Grants

AUK has chosen to treat “Germia campus” which is used by AUK as the educational facility (see note 20), as government grant in the form of a non-monetary asset. AUK measures both the item of property and the grant at nominal value, which is zero because AUK obtained such item for no consideration.

Other grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and AUK will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the AUK for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

2.6.5 Revenue recognition

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

2.6.6 Finance income and finance costs

Finance income comprises interest income and foreign currency gains. Interest income is recognised using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

2.6.7 Taxation

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

2.6.8 Operating expenses

Operating expenses are recognised when incurred.

2.6.9 Employee benefits

AUK is obliged by the current Kosovo legislation to make fixed contributions for its employees in a social fund operated by the Government. All payments and liabilities are recognised as an expense in the period to which those relate. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond these contributions.

2.6.10 Scholarship fund

AUK is the custodian of 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 presented as liabilities in the statement of financial position; they are then recognised in profit or loss as tuition income on a systematic basis over the period of scholarship awarded to students.

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

2.6.11 Financial assets and liabilities

Non-derivative financial instruments of AUK comprise receivables, cash and balances with banks, deposits, and scholarship and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and balances with banks

Cash and balances with banks comprise cash balances and current or flexi bank accounts.

Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at their amortised cost less impairment losses.

Payables

Payables are stated at their fair value and subsequently measured at their amortised cost.

AUK derecognises 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

AUK derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, AUK currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Accounting for finance income and costs is described in note 2.6.6.

2.6.12 Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

AUK - THE AMERICAN COLLEGE OF KOSOVA
Notes to the Financial Statements for the year ended 30 June 2016
(Amounts in Euro, unless otherwise stated)

3. PROPERTY AND EQUIPMENT

	Leasehold improvements	IT equipment	Furniture, fixtures and equipment	Vehicles	Laptops	Total
Cost						
As at 1 July 2014	828,839	255,758	92,416	63,433	792,731	2,033,177
Additions	1,470	91,998	10,494	-	79,641	183,603
Write offs and disposals	-	-	(4,240)	(16,120)	(10,434)	(30,794)
As at 30 June 2015	830,309	347,756	98,670	47,313	861,938	2,185,986
Additions	107,601	116,948	36,340	1,962	63,233	326,084
Disposals	(8,708)	(41,871)	(8,880)	-	(315,395)	(374,854)
As at 30 June 2016	929,202	422,833	126,130	49,275	609,776	2,137,216
Accumulated depreciation						
As at 1 July 2014	634,623	223,500	67,032	50,826	615,489	1,591,470
Charge for the year	83,003	47,874	8,237	3,690	102,393	245,197
Write offs and disposals	-	-	(3,180)	(16,120)	(6,668)	(25,968)
As at 30 June 2015	717,626	271,374	72,089	38,396	711,214	1,810,699
Charge for the year	78,575	69,578	20,084	3,919	82,721	254,877
Disposals	(4,909)	(41,871)	(7,921)	-	(313,819)	(368,520)
As at 30 June 2016	791,292	299,081	84,252	42,315	480,116	1,697,056
Net book value						
As at 30 June 2016	137,910	123,752	41,878	6,960	129,660	440,160
As at 30 June 2015	112,683	76,382	26,581	8,917	150,724	375,287

Deferred income related to donated assets

	Year ended 30 June 2016	Year ended 30 June 2015
Balance as at 1 July	21,496	12,607
Donation received during the year	1,705	16,724
Release to income during the year	(9,265)	(7,835)
Balance as at 30 June	13,936	21,496

Assets with a total cost of EUR 1,256,347 as at 30 June 2016 (2015: 730,344) are fully depreciated.

AUK - THE AMERICAN COLLEGE OF KOSOVA
Notes to the Financial Statements for the year ended 30 June 2016
(Amounts in Euro, unless otherwise stated)

4. INTANGIBLE ASSETS

	Software
Cost	
Balance as at 1 July 2014	77,651
Additions during the year	726
Balance as at 30 June 2015	<u>78,377</u>
Additions during the year	9,174
Balance as at 30 June 2016	<u>87,551</u>
Accumulated amortization	
Balance as at 1 July 2014	54,771
Amortisation for the year	16,621
Balance as at 30 June 2015	<u>71,392</u>
Amortisation for the year	14,539
Balance as at 30 June 2016	<u>85,931</u>
Net book value	
As at 30 June 2016	<u>1,620</u>
As at 30 June 2015	<u>6,985</u>

AUK - THE AMERICAN COLLEGE OF KOSOVA
Notes to the Financial Statements for the year ended 30 June 2016
(Amounts in Euro, unless otherwise stated)

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	30 June 2016	30 June 2015
Tuition receivables	239,830	202,423
Training and Development Institute ("TDI") receivables	32,257	40,472
Advances	41,673	66,418
Other receivables	25,016	6,882
Accounts receivables	338,776	316,195
Impairment allowances for doubtful receivables	(156,656)	(155,426)
Balance as at 30 June	182,120	160,769

Net tuition receivables as at 30 June 2016 represent fees receivable for the 2015 - 2016 academic year.

The movements in the allowance for doubtful receivables are as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
Balance as at 1 July	155,426	148,621
Charge for the year	17,402	19,844
Recovered during the year	(16,172)	(13,039)
Balance as at 30 June	156,656	155,426

Below is presented the aging of receivables at 30 June 2016 and 2015:

Receivables	Less than six month	Six months to one year	Older than one year	Total	Allowance	Net
Tuition receivables	76,684	20,556	142,590	239,830	(139,130)	100,700
TDI receivables	16,157	4,742	11,358	32,257	(11,313)	20,944
Other receivables	18,465	2,445	4,106	25,016	(6,213)	18,803
Total	111,306	27,743	158,054	297,103	(156,656)	140,447

Receivables	Less than six month	Six months to one year	Older than one year	Total	Allowance	Net
Tuition receivables	47,353	8,432	146,638	202,423	(139,697)	62,726
TDI receivables	20,025	352	20,095	40,472	(8,847)	31,625
Other receivables	2,786	-	4,096	6,882	(6,882)	-
Total	70,164	8,784	170,829	249,777	(155,426)	94,351

AUK - THE AMERICAN COLLEGE OF KOSOVA
Notes to the Financial Statements for the year ended 30 June 2016
(Amounts in Euro, unless otherwise stated)

6. DEPOSITS

	30 June 2016	30 June 2015
Deposits with "Morgan Stanley Wealth Management" USA	1,169,561	655,204
Deposits with PayPal, USA	<u>15,180</u>	<u>47,086</u>
Balance as at 30 June	<u>1,184,741</u>	<u>702,290</u>

7. CASH AND BALANCES WITH BANKS

	30 June 2016	30 June 2015
Cash on hand	542	8,327
Cash at banks	<u>826,277</u>	<u>1,507,673</u>
Balance as at 30 June	<u>826,819</u>	<u>1,516,000</u>

Cash at banks includes current accounts and flexi accounts balances held with banks in Kosovo, with effective interest rates from 0% - 0.05% p.a. (2015: 0% - 0.05% p.a.).

8. SCHOLARSHIP FUND

The scholarship fund was created by AUK and contributed by AUK, IPKO Foundation, Kosovo Government, USAID, US Embassy, British Embassy, Kosovo Diplomatic Observer Mission, Kosovo Security Forces ('KSF') following an ongoing agreement, whereby KSF covers the tuition of its cadets, and also funds contributed by other donors to finance fees for students that meet the criteria agreed with those donors.

A summary of the scholarship fund movements is as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
As at 1 July	86,201	108,648
Contributions received during the year	720,230	654,274
Scholarships granted during the year	<u>(731,674)</u>	<u>(676,721)</u>
Balance as at 30 June	<u>74,757</u>	<u>86,201</u>

The total scholarships granted during the year from the AUK contributions are EUR 317,641 (2015: EUR 323,475), as detailed in Note 11.

AUK - THE AMERICAN COLLEGE OF KOSOVA
Notes to the Financial Statements for the year ended 30 June 2016
(Amounts in Euro, unless otherwise stated)

9. DEFERRED INCOME: TUITION FEES

	30 June 2016	30 June 2015
Undergraduate	126,003	138,370
TDI	24,797	18,147
Summer program	49,290	99,171
Balance as at 30 June	<u>200,090</u>	<u>255,688</u>

Deferred tuition fees relate to fees received for courses that will be held in future semesters. Undergraduate deferred fees decreased mainly due to the extension of the payment terms for the academic year 2016-2017, from April to August 2016.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	30 June 2016	30 June 2015
Accounts payable	109,325	104,874
Accrued expenses	26,380	24,416
Balance as at 30 June	<u>135,705</u>	<u>129,290</u>

11. FEE INCOME

	Year ended 30 June 2016	Year ended 30 June 2015
Undergraduate program	3,151,206	3,431,632
TDI	246,177	327,273
AUK Contribution to scholarship fund	(317,641)	(323,475)
	<u>3,079,742</u>	<u>3,435,430</u>

A Scholarship Fund is allocated each year by AUK for students meeting certain criteria (see note 8).

12. GRANT INCOME

During the year ended 30 June 2016, AUK received grants of EUR 40,652 (2015: EUR 20,315).

13. INTEREST INCOME

Interest income of EUR 1,736 (2014: EUR 4,143) consists of interest earned on deposits and balances with banks.

14. OTHER INCOME

	Year ended 30 June 2016	Year ended 30 June 2015
Special Program/USAID TLP	281,953	404,697
Special Program/Summer Program	170,221	196,431
Late payment fees	22,600	-
Income from rent	10,521	15,475
Other income	120,071	190,782
	<u>605,366</u>	<u>807,385</u>

14. OTHER INCOME (CONTINUED)

Special Program/USAID TLP consists of income earned pursuant to a Cooperative Agreement between the U.S. Agency for International Development (“USAID”), and AUK, whereby AUK is awarded with funds in order to provide support for the “Transformational Leadership Immersion & Public Service Courses Program”. The agreement has been effective from 24 April 2014, and the estimated completion date of the award is 24 April 2019.

Other income consist mainly of income earned from other special programs.

15. STAFF SALARIES AND BENEFITS

	Year ended 30 June 2016	Year ended 30 June 2015
Faculty salaries	708,526	561,468
Staff salaries	520,563	499,393
Special program salaries	242,911	309,933
Pension contributions	55,519	54,446
TDI salaries	43,859	39,480
Health insurance	36,527	37,950
Per diem	605	800
	<u>1,608,510</u>	<u>1,503,470</u>

The American University in Kosovo Foundation Inc. (“AUKF-NY”) provides technical assistance to AUK in the form of recruiting and employing American and other qualified international staff to deliver programs at the AUK through AUKF-NY, which is a separate legal entity from AUK. During the year ended 30 June 2016, EUR 390,200 (2015: EUR 359,367) were provided by AUKF-NY for such international technical assistance services.

The number of employees as at 30 June 2016 is 164 (2015: 134).

16. ACADEMIC CONSULTING FEES

These fees represent 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 21 January 2013 between AUK and RIT for the provision of experts and certain specific educational services by RIT to AUK.

17. TDI DIRECT COST

	Year ended 30 June 2016	Year ended 30 June 2015
“Teach European Computer Driving License” Project	-	152,386
IT, Business and Management Courses	155,034	83,356
	<u>155,034</u>	<u>235,742</u>

Expenditure for the “Teach European Computer Driving License” (“Teach ECDL”) Project consist of direct costs incurred by the Training and Development Institute (“TDI”), attributable to the agreement with the Ministry of Education, Science and Technology (“MEST”) to offer computer skills trainings to public schools teachers of the Republic of Kosovo. The project has started from May 2014, and was terminated in April 2015.

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18. OTHER OPERATING EXPENSES

	Year ended 30 June 2016	Year ended 30 June 2015
Special programs/Summer Program	122,889	213,749
Depreciation	254,877	245,197
Marketing costs	65,941	87,157
Repairs and maintenance	69,041	77,556
Security costs	76,046	75,636
Telephone and internet	35,810	55,919
Utilities	41,432	46,866
U.S.A. office costs	42,827	36,934
Academic events	30,961	30,778
Office supplies	25,352	30,653
Audit and legal fees	24,068	30,494
Amortisation	14,539	16,621
Travel expenses	19,878	10,414
Energy and fuel costs	7,873	9,896
Admission test fee	535	6,854
Faculty housing costs	800	3,600
Loss from disposal of property and equipment	6,334	4,826
Other expenses	<u>52,844</u>	<u>35,312</u>
Total	<u>885,713</u>	<u>1,013,636</u>

19. RELATED PARTY DISCLOSURE

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 15.

	Year ended 30 June 2016	Year ended 30 June 2015
Key management compensation	195,949	189,350

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

Included in accounts payable as at 30 June 2016 are EUR 331 (2015: EUR 15,774) which relate to key management personnel compensations.

Grant income includes an amount of EUR 23,266 (2015: EUR 3,625) donated by members of AUK Board of Trustees and management.

20. GERMIA CAMPUS PREMISES

Pursuant to a Memorandum of Understanding signed between AUK and the Ministry of Education, Science and Technology of Kosovo, followed by a contract between AUK and the Municipality of Pristina, AUK 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 AUK 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 ten years was taken on 29 June 2015 by the Assembly of the Municipality of Pristina. As described in Note 2.6.4, both the asset and the grant were measured at nominal value, which in this case is zero.

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 INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

Credit risk is the risk of financial loss to AUK if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the AUK’s receivables from students. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at the reporting date was:

	30 June 2016	30 June 2015
Accounts receivable and other assets	182,120	160,769
Deposits	1,184,741	702,290
Cash and balances with banks	826,819	1,516,000
As at 30 June	<u>2,193,680</u>	<u>2,379,059</u>

(ii) Management of credit risk

AUK is exposed to credit risk in respect of tuition fees receivable from its students. AUK manages its credit risk by continuously monitoring the collectability of its receivables. The aging of receivables and related impairment allowances are detailed in note 5.

(b) Liquidity risk

Liquidity risk is the risk that the AUK will not be able to meet its financial obligations as they fall due. AUK’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.

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The contractual maturities of discounted financial assets and liabilities as at 30 June 2016 and 2015 are as follows:

	Carrying Amounts	6 Months or less	More than 6 months
<i>Financial assets</i>			
Accounts receivable and other assets	182,120	182,120	-
Deposits	1,184,741	1,184,741	-
Cash and balances with banks	826,819	826,819	-
	2,193,680	2,193,680	-
<i>Financial liabilities</i>			
Scholarship fund	(74,757)	(74,757)	-
Accounts payable and accrued expenses	(135,705)	(135,705)	-
	(210,462)	(210,462)	-
Liquidity risk at 30 June 2016	1,983,218	1,983,218	-
<hr/>			
	Carrying Amounts	6 Months or less	More than 6 months
<i>Financial assets</i>			
Accounts receivable and other assets	160,769	160,769	-
Deposits	702,290	702,290	-
Cash and balances with banks	1,516,000	1,516,000	-
	2,379,059	2,379,059	-
<i>Financial liabilities</i>			
Scholarship fund	(86,201)	(86,201)	-
Accounts payable and accrued expenses	(129,290)	(129,290)	-
	(215,491)	(215,491)	-
Liquidity risk at 30 June 2015	2,163,568	2,163,568	-

(c) Foreign currency 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. Currency risk is managed through using assets/liabilities matching principles.

Foreign currency risk relates to cash, balances with banks and deposits with AUKF-NY that are denominated in a currency other than EUR. The main currency giving rise to this risk is the USD. AUK does not use any derivative instrument to hedge its foreign currency risk.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

The AUK's exposure to foreign currency risk as translated in EUR is as follows:

	30 June 2016		30 June 2015	
	(in EUR)	(in USD)	(in EUR)	(in USD)
Accounts receivable and other assets	182,120	-	160,769	-
Deposits	151,733	1,033,008	150,021	552,269
Cash and balances with banks	747,079	79,740	1,456,816	59,184
	1,080,932	1,112,748	1,767,606	611,453
Scholarship fund	(74,757)	-	(86,201)	-
Accounts payable and accrued expenses	(135,705)	-	(129,290)	-
As at 30 June	870,471	1,112,748	1,552,115	611,453

An analysis of AUK's sensitivity to an increase or decrease in foreign currency rates is as follows:

	2016	2015
Sensitivity rates	5%	5%
Profit or loss		
+5% of Euro	55,637	30,573
- 5% of Euro	(55,637)	(30,573)

(d) Interest rate risk

AUK generates interest income from short term investments. Below is the analysis of financial assets and liabilities:

	30 June 2016			30 June 2015		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
Assets						
Accounts receivable and other assets	-	182,120	182,120	-	160,769	160,769
Deposits	-	1,184,741	1,184,741	-	702,290	702,290
Cash and balances with banks	475,922	350,897	826,819	1,242,142	273,858	1,516,000
	475,922	1,717,758	2,193,680	1,242,142	1,136,917	2,379,059
Liabilities						
Scholarship fund	-	74,757	74,757	-	86,201	86,201
Accounts payable and accrued expenses	-	135,705	135,705	-	129,290	129,290
	-	210,462	210,462	-	215,491	215,491

21. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate risk (continued)

An analysis of AUK's sensitivity 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:

Year ended 30 June 2016		
	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	4,759	(4,759)
Year ended 30 June 2015		
	100 bp Increase	100 bp Decrease
Estimated Profit (loss) effect	12,421	(12,421)

(e) Fair value of financial instruments

The carrying values of all financial assets and liabilities approximate their fair values due to their short term nature.

22. COMMITMENTS AND CONTINGENCIES

AUK has no commitments and contingencies as at the year end.

23. 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.