

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

UNIVERSITY OF ENDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
University of Edinburgh
USA Development Trust

We have audited the accompanying statements of financial position of the University of Edinburgh USA Development Trust ("UEUDT") as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of UEUDT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Edinburgh USA Development Trust as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lederer, Levine & Associates, LLC

Lederer, Levine & Associates, LLC

New York, NY
August 25, 2008

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents (Notes B and D)	\$ 51,084	\$ 678,118
Contributions receivable, net (Notes B and C)	632,529	861,736
Accrued interest receivable	1,616	1,599
Investments (Notes B and E)	<u>390,950</u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,076,179</u>	<u>\$ 1,541,453</u>
 LIABILITIES		
Accrued expenses and other payables	<u>\$ 13,218</u>	<u>\$ 6,733</u>
TOTAL LIABILITIES	<u>13,218</u>	<u>6,733</u>
 NET ASSETS		
Unrestricted	430,432	847,550
Temporarily restricted (Note F)	<u>632,529</u>	<u>687,170</u>
TOTAL NET ASSETS	<u>1,062,961</u>	<u>1,534,720</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,076,179</u>	<u>\$ 1,541,453</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	2007		2006	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
SUPPORT AND REVENUE				
Contributions (Note C)	\$ 1,159,119	\$ 26,000	\$ 1,185,119	\$ 70,890
Investment income (Note E)	14,906		14,906	
Net assets released from restrictions	80,641	(80,641)	92,232	(92,232)
TOTAL SUPPORT AND REVENUE	<u>1,254,666</u>	<u>(54,641)</u>	<u>1,200,025</u>	<u>(21,342)</u>
EXPENSES:				
Program services - grant expense (Note B)	1,643,256		1,161,843	
Management and general	28,528		17,940	
TOTAL EXPENSES	<u>1,671,784</u>		<u>1,179,783</u>	
CHANGE IN NET ASSETS	(417,118)	(54,641)	(29,324)	(21,342)
Net Assets - Beginning of Year	847,550	687,170	876,874	708,512
NET ASSETS - END OF YEAR	<u>\$ 430,432</u>	<u>\$ 632,529</u>	<u>\$ 1,062,961</u>	<u>\$ 687,170</u>
				<u>\$ 1,534,720</u>

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (471,759)	\$ (50,666)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in discount on contributions receivable	(34,359)	(32,608)
Realized and unrealized losses on investments, net	9,650	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	263,566	(94,566)
Accrued interest receivable	(17)	(1,599)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	6,485	(1,424)
Net Cash Used by Operating Activities	(226,434)	(180,863)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(410,951)	
Proceeds from sales of investments	10,351	
Net Cash Used by Investing Activities	(400,600)	
Net Decrease in Cash	(627,034)	(180,863)
Cash and cash equivalents - beginning of year	678,118	858,981
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 51,084	\$ 678,118

The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note A – Organization and Nature of Activities

The University of Edinburgh USA Development Trust ("UEUDT") is a nonprofit corporation whose purpose is to educate the public on the reputation and importance of the University of Edinburgh and develop and improve its financial condition.

UEUDT is organized under the Virginia Nonstock Corporation Act and has been granted exemption from federal income tax pursuant to Section 501 (c) (3) of the Internal Revenue Code.

Note B – Summary of Significant Accounting Policies

Method of Accounting

UEUDT prepares its financial statements using the accrual basis of accounting. UEUDT follows accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

UEUDT considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to UEUDT that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. (See Note F).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. UEUDT capitalizes property and equipment with a useful life of two years or more and a cost of \$1,000 or more.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Grant Expenditures

Grant expenditures are considered incurred at the time of approval.

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note C - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2007 and 2006:

Contributions receivable expected to be collected in:	<u>2007</u>	<u>2006</u>
Less than one year	\$ 141,000	\$ 289,566
One to five years	515,000	530,000
Greater than five years	<u>100,000</u>	<u>200,000</u>
	756,000	1,019,566
Less: discount to net present value at 5%	<u>123,471</u>	<u>157,830</u>
	<u>\$ 632,529</u>	<u>\$ 861,736</u>

Note D - Concentrations

1. UEUDT maintains bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At December 31, 2007 and 2006, the total uninsured cash balance approximated \$414,000 and \$80,000, respectively. Management believes that credit risk related to these accounts are minimal.
2. During the year ended December 31, 2005, one donor made a promise to give \$1,000,000 to UEUDT over a ten year period. The balance due from this donor as of December 31, 2007 and 2006 amounted to \$700,000 and \$800,000, respectively, (before discounting) and is included in contributions receivable in the accompanying financial statements.

Note E - Investments

Investments consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Equities	\$ <u>390,950</u>	\$ _____

UEUDT's equity holdings at December 31, 2007 consisted entirely of shares of a grantor trust (the "Trust"). The investment objective of the Trust is for the shares to reflect the price of the British Pound Sterling.

Shares of the Trust are subject to market volatility that could substantially change their carrying value in the near term.

Investment income consists of the following at December 31, 2007 and 2006:

Interest and dividends	\$ 24,556	\$ 20,805
Realized gains	2,839	
Unrealized losses	<u>(12,489)</u>	
Total	<u>\$ 14,906</u>	<u>\$ 20,805</u>

Note F - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2007 and 2006 are subject to time restrictions only. These net assets relate to contributions receivable in future periods from donors. While certain UEUDT donors have made suggestions regarding the use of donated funds, the actual use of these funds is subject to the discretion of UEUDT board of directors.