

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

**UNIVERSITY OF ENDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7

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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, 2010 and 2009, 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, 2010 and 2009, 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

New York, NY
September 10, 2011

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (Notes B and D)	\$ 66,128	\$ 87,580
Contributions receivable, net (Notes B and C)	1,068,841	1,268,919
Investments (Notes B and E)	194,431	216,785
Prepaid expenses	<u> </u>	<u>1,019</u>
	<u>\$ 1,329,400</u>	<u>\$ 1,574,303</u>
TOTAL ASSETS		
 LIABILITIES		
Accrued expenses and other payables	\$ <u>11,132</u>	\$ <u>7,500</u>
TOTAL LIABILITIES	<u>11,132</u>	<u>7,500</u>
 NET ASSETS		
Unrestricted	375,718	310,279
Temporarily restricted (Note F)	<u>942,550</u>	<u>1,256,524</u>
TOTAL NET ASSETS	<u>1,318,268</u>	<u>1,566,803</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,329,400</u>	 <u>\$ 1,574,303</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, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions (Note C)	\$ 496,593	\$	\$ 496,593	\$ 488,939	\$	\$ 488,939
Investment (loss) income (Note E)	(12,328)		(12,328)	27,192		27,192
Net assets released from restrictions	313,974	(313,974)		294,237	(294,237)	
TOTAL SUPPORT AND REVENUE	<u>798,239</u>	<u>(313,974)</u>	<u>484,265</u>	<u>810,368</u>	<u>(294,237)</u>	<u>516,131</u>
EXPENSES						
Program services - grant expense (Note B)	705,376		705,376	729,360		729,360
Management and general	27,424		27,424	17,038		17,038
TOTAL EXPENSES	<u>732,800</u>		<u>732,800</u>	<u>746,398</u>		<u>746,398</u>
CHANGE IN NET ASSETS	65,439	(313,974)	(248,535)	63,970	(294,237)	(230,267)
Net Assets - Beginning of Year	310,279	1,256,524	1,566,803	246,309	1,550,761	1,797,070
NET ASSETS - END OF YEAR	<u>\$ 375,718</u>	<u>\$ 942,550</u>	<u>\$ 1,318,268</u>	<u>\$ 310,279</u>	<u>\$ 1,256,524</u>	<u>\$ 1,566,803</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, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets - Operating	\$ (248,535)	\$ (230,267)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Amortization of discount on contributions receivable	(45,026)	
Realized losses on investments	3,190	3,580
Unrealized losses (gains) on investments	9,188	(30,472)
Bad debt - uncollectible pledge	(4,000)	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	249,104	281,842
Accrued interest receivable		151
Prepaid expenses	1,019	(1,019)
(Decrease) increase in liabilities:		
	3,632	(712)
Net Cash (Used) Provided by Operating Activities	(31,428)	23,103
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	40,040	610,955
Purchase of investments	(30,064)	(594,833)
Net Cash Provided by Investing Activities	9,976	16,122
Net (Decrease) Increase in Cash	(21,452)	39,225
Cash and cash equivalents - beginning of year	87,580	48,355
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 66,128	\$ 87,580
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$	\$

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

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 (“US GAAP”) which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

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.

UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(continued)

Note B – Summary of Significant Accounting Policies (Continued)

Grant Expenditures

Grant expenditures are considered incurred at the time of approval by the Board of Directors.

Accounting for Uncertainty in Income Taxes

UEUDT's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 10, 2011.

Fair Value Measurements

US GAAP established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The values by input level of the UEUDT's investments as of December 31, 2010 and 2009 are as follows:

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equities	\$ <u>194,431</u>	\$ _____	\$ _____	\$ <u>194,431</u>
	2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equities	\$ <u>216,785</u>	\$ _____	\$ _____	\$ <u>216,785</u>

Note C - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2010 and 2009:

Contributions receivable expected to be collected in:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 476,291	\$ 469,395
One to five years	<u>650,000</u>	<u>902,000</u>
	1,126,291	1,371,395
Less: discount to net present value at 5%	<u>57,450</u>	<u>102,476</u>
	<u>\$1,068,841</u>	<u>\$1,268,919</u>

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(continued)**

Note D – Concentrations

- 1) For the year ended December 31, 2010, two donors contributed approximately 20% and 29% respectively of all the UEUDT' contributions. For the year ended December 31, 2009, approximately 25% of all UEUDT's contributions were received from one donor.
- 2) UEUDT maintains bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. This limit will be in effect through December 31, 2013. At December 31, 2010 and 2009, there were no uninsured cash balances.

Note E – Investments

Investments consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Equities	<u>\$ 194,431</u>	<u>\$ 216,785</u>

UEUDT's equity holdings at December 31, 2010 and 2009 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 (loss) income consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 50	\$ 301
Realized (losses)	(3,190)	(3,580)
Unrealized (losses) gains	<u>(9,188)</u>	<u>30,471</u>
Total	<u>\$ (12,328)</u>	<u>\$ 27,192</u>

Note F – Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2010 and 2009 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 the UEUDT Board of Directors.