

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEAR ENDED
DECEMBER 31, 2005**

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LEDERER, LEVINE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KENNETH J. LEDERER, CPA
STEVEN J. LEVINE, CPA
DEREK A. FLANAGAN, CPA

1099 WALL STREET WEST - SUITE 280
LYNDHURST, NEW JERSEY 07071
(201) 933-3780
(201) 933-3575 FAX

99 MADISON AVENUE - 11th FLOOR
NEW YORK, NEW YORK 10016
(800) 269-3457 (NYC)

INDEPENDENT AUDITORS' REPORT

Board of Directors
University of Edinburgh USA Development Trust

We have audited the accompanying statement of financial position of the University of Edinburgh USA Development Trust ("UEUDT") as of December 31, 2005, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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, 2005, and the changes in its net assets and its cash flows for the year 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
July 10, 2006

**THE UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005**

	2005
ASSETS	
Cash and cash equivalents (Notes B and D)	\$ 858,981
Contributions receivable, net (Notes B and C)	734,562
TOTAL ASSETS	\$ 1,593,543
 LIABILITIES	
Accrued expenses and other payables	\$ 8,157
TOTAL LIABILITIES	8,157
 COMMITMENTS AND CONTINGENCIES	
 NET ASSETS	
Unrestricted	876,874
Temporarily restricted (Note E)	708,512
TOTAL NET ASSETS	1,585,386
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,593,543

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

**THE UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Contributions (Note C)	\$ 907,993	\$ 708,512	\$ 1,616,505
Earned revenue	<u>14,111</u>		<u>14,111</u>
TOTAL SUPPORT AND REVENUE	<u>922,104</u>	<u>708,512</u>	<u>1,630,616</u>
EXPENSES:			
Program services - grant expense (Note B)	809,259		809,259
Management and general	<u>25,529</u>		<u>25,529</u>
TOTAL EXPENSES	<u>834,788</u>		<u>834,788</u>
CHANGE IN NET ASSETS	87,316	708,512	795,828
Net Assets - Beginning of Year	<u>789,558</u>		<u>789,558</u>
NET ASSETS - END OF YEAR	<u>\$ 876,874</u>	<u>\$ 708,512</u>	<u>\$ 1,585,386</u>

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

**THE UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 795,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(734,262)
Increase (decrease) in liabilities:	
Accrued expenses and other payables	8,157
Net Cash Used by Investing Activities	69,723
Cash and cash equivalents - beginning of year	789,258
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 858,981

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

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 adheres to 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. (Also – see Note E.)

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.

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note B – Summary of Significant Accounting Policies (continued)

Grant Expenditures

Grant expenditures are considered incurred at the time of approval.

Note C - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2005:

Contributions receivable expected to be collected in:

Less than one year	\$ 105,000
One to five years	415,000
Greater than five years	<u>405,000</u>
	925,000
Less: discount to net present value at 5%	<u>190,438</u>
	<u>\$ 734,562</u>

Note D - Concentrations

1. UEUDT maintains a bank account at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At December 31, 2005, the total uninsured cash balance approximated \$232,000. Management believes that credit risk related to this account is 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. UEUDT received \$100,000 in June 2005. The balance of \$900,000 (before discounting) is included in contributions receivable in the accompanying financial statements.

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2005 are subject to time restrictions only. These net assets relate to contributions receivable in future periods from donors. While these donors have made suggestions regarding the use of these funds, the actual use of these net assets is subject to the discretion of UEUDT board of directors.