

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)**

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

**UNIVERSITY OF ENDINBURGH
USA DEVELOPMENT TRUST INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

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CERTIFIED PUBLIC ACCOUNTANTS

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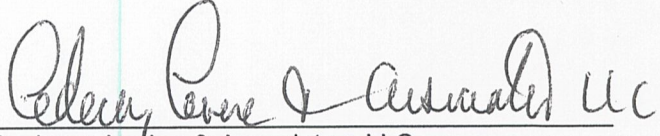
INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010, 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, 2011 and 2010, 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
November 13, 2012

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes B and D)	\$ 30,519	\$ 66,128
Contributions receivable, net (Notes B and C)	625,325	1,068,841
Investments (Notes B and E)	137,611	194,431
Other assets (Notes B and F)	<u>62,000</u>	<u> </u>
TOTAL ASSETS	<u>\$ 855,455</u>	<u>\$ 1,329,400</u>
 LIABILITIES		
Accrued expenses and other payables	<u>\$ 16,251</u>	<u>\$ 11,132</u>
TOTAL LIABILITIES	<u>16,251</u>	<u>11,132</u>
 NET ASSETS		
Unrestricted	216,879	375,718
Temporarily restricted (Note G)	<u>622,325</u>	<u>942,550</u>
TOTAL NET ASSETS	<u>839,204</u>	<u>1,318,268</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 855,455</u>	<u>\$ 1,329,400</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (479,064)	\$ (248,535)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization of discount on contributions receivable	(27,675)	(45,026)
Realized losses on investments	16,190	3,190
Unrealized gains (losses) on investments	(13,835)	9,188
Bad debt - uncollectible pledge		(4,000)
In-kind contribution - other assets	(62,000)	
Changes in operating assets and liabilities:		
Decrease in assets:		
Contributions receivable	471,191	249,104
Prepaid expenses		1,019
Increase in liabilities:		
Accrued expenses and other payables	5,119	3,632
Net Cash Used by Operating Activities	<u>(90,074)</u>	<u>(31,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	54,465	40,040
Purchase of investments		(30,064)
Net Cash Provided by Investing Activities	<u>54,465</u>	<u>9,976</u>
Net Decrease in Cash	(35,609)	(21,452)
Cash and cash equivalents - beginning of year	<u>66,128</u>	<u>87,580</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 30,519</u>	<u>\$ 66,128</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$</u>	<u>\$</u>

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

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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.

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.

In-Kind Contributions

Contributions of donated non-cash assets are recorded at their fair values when received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 November 12, 2012.

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 relate 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, 2011 and 2010 are as follows:

	2011			Total
	Level 1	Level 2	Level 3	
Assets				
Equities	\$ 137,611	\$ _____	\$ _____	\$ 137,611
	2010			
	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 194,431	\$ _____	\$ _____	\$ 194,431

Note C - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2011 and 2010:

Contributions receivable expected to be collected in:

	2011	2010
Less than one year	\$ 353,000	\$ 476,291
One to five years	300,000	650,000
	653,000	1,126,291
Less: discount to net present value at 5%	27,675	57,450
	\$ 625,325	\$1,068,841

**UNIVERSITY OF EDINBURGH
USA DEVELOPMENT TRUST INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

Note D – Concentrations

- 1) For the year ended December 31, 2011, two donors contributed approximately 30% and 23% of all the UEUDT' contributions. For the year ended December 31, 2010, approximately 20% and 29% of all UEUDT's contributions were received from two donors.
- 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, 2011 and 2010, there were no uninsured cash balances.

Note E – Investments

Investments consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Equities	\$ <u>137,611</u>	\$ <u>194,431</u>

UEUDT's equity holdings at December 31, 2011 and 2010 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 387	\$ 50
Realized (losses)	(16,252)	(3,190)
Unrealized gains (losses)	<u>13,896</u>	<u>(9,188)</u>
Total	\$ <u>(1,969)</u>	\$ <u>(12,328)</u>

Note F – Other Assets

	<u>2011</u>
Book	\$ <u>62,000</u>

In 2011, UEUDT received an in-kind contribution of a first edition copy of a Charles Darwin book. The book was appraised at \$62,000. The book is currently on loan to the Edinburgh University Library.

Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2011 and 2010 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.

**UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
MANAGEMENT RECOMMENDATION LETTER
FOR THE YEAR ENDED DECEMBER 31, 2011**

LEDERER, LEVINE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 12, 2012

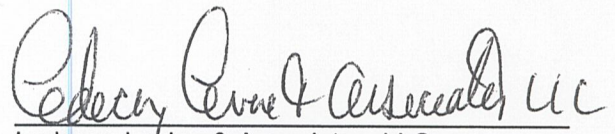
The Board of Directors
University of Edinburgh USA Development Trust, Inc.

In planning and performing our audit of the financial statements of University of Edinburgh USA Development Trust, Inc. ("Organization") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Organization's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weaknesses, as defined above. However, during the audit we became aware of certain matters that are opportunities for strengthening controls and operating efficiency. Our comments and recommendations concerning those matters are summarized in the attachment to this letter.

This communication is intended solely for the information and use of management, the Board of Directors, and others within University of Edinburgh USA Development Trust, Inc. It is not intended to be, and should not be, used by anyone other than these specified parties.


Lederer, Levine & Associates, LLC

RECOMMENDATION 1: Other Assets - Books

In 2011, a donor gifted to the Organization a final edition copy of a Charles Darwin book. Subsequently, in 2012 additional books were also gifted to the Organization by the same donor. The Darwin book is currently on loan to the Edinburgh University library.

We recommend that the Organization establish book loan policies. These policies should entail the use of formal borrowing agreements. The agreements can include specific terms relating to term limits, restrictions, security, insurance, etc.