

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITORS' REPORT)  
FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

**UNIVERSITY OF ENDINBURGH  
USA DEVELOPMENT TRUST INC.  
FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITORS' REPORT)  
FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
University of Edinburgh  
USA Development Trust

We have audited the accompanying financial statements of the University of Edinburgh USA Development Trust ("UEUDT") which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

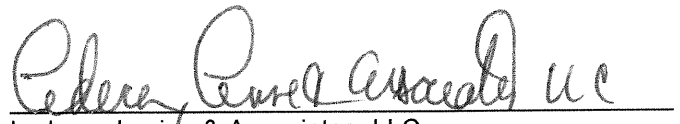
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of University of Edinburgh USA Development Trust, as of December 31, 2013 and 2012 and the results of its operations 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

October 23, 2014

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and D)	\$ 371,310	\$ 440,239
Contributions receivable, net (Notes B and C)	1,134,150	539,798
Investments (Notes B and E)	111,056	156,280
Other assets (Notes B and F)	<u>320,800</u>	<u>320,800</u>
	<u>\$ 1,937,316</u>	<u>\$ 1,457,117</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Accrued expenses and other payables	\$ <u>10,700</u>	\$ <u>10,513</u>
<b>TOTAL LIABILITIES</b>	<u>10,700</u>	<u>10,513</u>
<b>NET ASSETS</b>		
Unrestricted	800,566	910,663
Temporarily restricted (Note G)	<u>1,126,050</u>	<u>535,941</u>
<b>TOTAL NET ASSETS</b>	<u>1,926,616</u>	<u>1,446,604</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,937,316</u>	<u>\$ 1,457,117</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, 2013 AND 2012

	2013		2012	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 545,662	\$ 1,000,000	\$ 1,299,493	\$ 1,299,493
In-kind contributions (Notes B and F)	(516)	(516)	258,800	258,800
Investment (loss) income - net (Note E)	409,891	(409,891)	5,846	5,846
Net assets released from restrictions			86,384	(86,384)
<b>TOTAL SUPPORT AND REVENUE</b>	<u>955,037</u>	<u>590,109</u>	<u>1,650,523</u>	<u>1,564,139</u>
<b>EXPENSES:</b>				
Program services - grant expense (Note B)	1,038,751		926,685	926,685
Management and general	26,383		30,054	30,054
<b>TOTAL EXPENSES</b>	<u>1,065,134</u>		<u>956,739</u>	<u>956,739</u>
<b>CHANGE IN NET ASSETS</b>	(110,097)	590,109	693,784	(86,384)
Net Assets - Beginning of Year	910,663	535,941	216,879	622,325
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 800,566</u>	<u>\$ 1,126,050</u>	<u>\$ 910,663</u>	<u>\$ 535,941</u>
				<u>\$ 1,446,604</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 480,012	\$ 607,400
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Amortization of discount on contributions receivable	(59,891)	(14,059)
Realized losses on investments	10,820	4,207
Unrealized gains on investments	(9,927)	(9,753)
In-kind contribution - other assets		(258,800)
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Contributions receivable	(534,461)	99,586
Increase (Decrease) in liabilities:		
Accrued expenses and other payables	<u>187</u>	<u>(5,738)</u>
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>(113,260)</u>	<u>422,843</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	54,473	17,650
Purchase of investments	<u>(10,142)</u>	<u>(30,773)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>44,331</u>	<u>(13,123)</u>
<b>Net (Decrease) Increase in Cash</b>	(68,929)	409,720
Cash and cash equivalents - beginning of year	<u>440,239</u>	<u>30,519</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 371,310</u>	<u>\$ 440,239</u>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
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, 2013 AND 2012**

**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 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.

**Grant Expenditures**

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

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(continued)**

**Note B – Summary of Significant Accounting Policies (Continued)**

**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. UEUDT is no longer subject to examination by federal tax authorities for fiscal years prior to 2010.

**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 October 23, 2014.

**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, 2013 and 2012 are as follows:

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ <u>111,056</u>	\$ _____	\$ _____	\$ <u>111,056</u>
	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ <u>156,280</u>	\$ _____	\$ _____	\$ <u>156,280</u>

**Note C - Contributions Receivable**

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2013 and 2012:

Contributions receivable expected to be collected in:

	2013	2012
Less than one year	\$ 358,100	\$ 353,857
One to five years	<u>850,000</u>	<u>200,000</u>
	1,208,100	553,857
Less: discount to net present value at 5% as determined by management	<u>73,950</u>	<u>14,059</u>
	<u>\$ 1,134,150</u>	<u>\$ 539,798</u>



**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(continued)**

**Note D – Concentrations**

- 1) For the year ended December 31, 2013, one donor contributed approximately 81% of all the UEUDT' contributions. For the year ended December 31, 2012, approximately 26% and 17% 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. At December 31, 2013 and 2012, the total uninsured cash balance approximated \$121,310 and \$187,594, respectively. Management believes that credit risk related to these accounts to be minimal.

**Note E – Investments**

Investments consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Equities	\$ <u>111,056</u>	\$ <u>156,280</u>

UEUDT's equity holdings at December 31, 2013 and 2012 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 377	\$ 300
Realized (losses)	(10,820)	(4,207)
Unrealized gains	<u>9,927</u>	<u>9,753</u>
Total	<u>\$ (516)</u>	<u>\$ 5,846</u>

**Note F – Other Assets**

	<u>2013</u>	<u>2012</u>
Charles Darwin Books and documents	\$ <u>320,800</u>	\$ <u>320,800</u>

In 2012, UEUDT received contributions of Charles Darwin books and documents. The books and documents were appraised at \$258,800. The books and documents are currently on loan to the Edinburgh University Library.

**Note G – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2013 and 2012 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.