

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2016

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statement of financial position as of December 31, 2016	2
Statement of activities for the year ended December 31, 2016	3
Statement of cash flows for the year ended December 31, 2016	4
Statement of functional expenses for the year ended December 31, 2016	5
Notes to financial statements	6 – 10



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of University of Edinburgh USA Development Trust, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses for the year 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 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 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, Inc, as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

New York, NY
October 20, 2017

Skody Scot & Company, CPAs, P.C.

**UNIVERSITY OF EDINBURGH USA
DEVELOPMENT TRUST, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Cash	\$ 377,774
Contributions receivable	630,000
Investments	118,385
Book collection	<u>415,533</u>
Total assets	<u><u>\$1,541,692</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 13,161
Total liabilities	<u>13,161</u>
Commitments and contingencies (see notes)	
Net Assets:	
Unrestricted	605,636
Temporarily restricted	922,895
Permanently restricted	<u>-</u>
Total net assets	<u>1,528,531</u>
Total liabilities and net assets	<u><u>\$1,541,692</u></u>

See accompanying notes to financial statements.

**UNIVERSITY OF EDINBURGH USA
DEVELOPMENT TRUST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Support and Revenues:	
Unrestricted:	
Contributions	\$ 355,131
Net investment return	(16,735)
Release of restricted assets	238,095
Temporarily restricted:	
Contributions	672,895
Release of restricted assets	(238,095)
Total support and revenues	<u>1,011,291</u>
Expenses:	
Program services	935,845
Management and general	128,134
Total expenses	<u>1,063,979</u>
Increase/(Decrease) In Net Assets:	
Unrestricted	(487,488)
Temporarily restricted	434,800
Permanently restricted	-
Increase/(decrease) in net assets	<u>(52,688)</u>
Net assets, beginning of year	<u>1,581,219</u>
Net assets, end of year	<u><u>\$1,528,531</u></u>

See accompanying notes to financial statements.

**UNIVERSITY OF EDINBURGH USA
DEVELOPMENT TRUST, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ (52,688)
Adjustments for non-cash items included in operating activities:	
Provision for uncollectible receivables	100,000
(Gains)/losses on investments	16,772
Donated stock	(37,181)
Changes in assets and liabilities:	
Contributions receivable	(141,905)
Accounts payable and accrued expenses	(314)
	<hr/>
Net cash provided/(used) by operating activities	(115,316)
	<hr/>
Cash flows from investing activities	-
	<hr/>
Cash flows from financing activities	-
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Net increase/(decrease) in cash	(115,316)
Cash, beginning of year	493,090
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Cash, end of year	<u>\$ 377,774</u>

See accompanying notes to financial statements.

**UNIVERSITY OF EDINBURGH USA
DEVELOPMENT TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Grants to other organizations	\$ 935,845	\$ -	\$ 935,845
Consultants & outside services	-	9,900	9,900
Insurance	-	516	516
Office supplies & expenses	-	8,718	8,718
Professional fees	-	9,000	9,000
Provision for uncollectible receivables	-	100,000	100,000
Total expenses	<u>\$ 935,845</u>	<u>\$ 128,134</u>	<u>\$ 1,063,979</u>

See accompanying notes to financial statements.

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

Note 1 - Summary of Significant Accounting Policies

The Organization

University of Edinburgh USA Development Trust, Inc. (Organization), a not-for-profit organization, was incorporated in the State of Virginia on October 13, 1992. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions.

The Organization's mission is to support and advance the charitable and educational purposes of the University of Edinburgh.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Book Collection

The Organization's policy is to capitalize its collection of donated books. The books are recognized at the appraised value as of the dates the books are donated to the Organization.

Receivables

Receivables that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Due to current low interest rates, management has decided not to discount long-term receivables.

The provision for uncollectible receivables is maintained at a level that, in management's judgment, is adequate to absorb uncollectible receivables. The amount of the provision is based on management's evaluation of the collectability of the receivables, including economic conditions, and other risks inherent in the receivables. The provision of uncollectible receivables was \$100,000 at December 31, 2016.

Investments

All marketable debt and equity securities and mutual funds are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2016 in the statement of financial position.

The Organization initially records investments it receives as donations at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

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

Note 2 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2016, all of the Organization's investments fall within Level 1 of the fair value hierarchy.

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

Note 3 - Investments and Investment Income

Investments consisted of the following at December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds	\$ <u>168,431</u>	\$ <u>118,385</u>	\$(<u>50,046</u>)

The components of net investment return for the year ended December 31, 2016 are as follows:

Interest and dividends	\$ 37
Net realized and unrealized gains/(losses)	<u>(16,772)</u>
Net investment income	<u>\$(16,735)</u>

Note 4 - Restrictions on Net Assets

As of December 31, 2016, temporarily restricted net assets are available in future years for the following purposes:

Floodlighting and signage	\$ 300,000
Scholarships	444,058
Edinburgh fund	85,625
Renovation project	64,990
Various other purposes	<u>28,222</u>
	<u>\$ 922,895</u>

Note 5 - Book Collection

As of December 31, 2016, the Organization's book collection consisted of the following:

Charles Darwin books and documents	\$ 320,800
Penny Royal Caxton Bible	6,058
John Steinbeck books	<u>88,675</u>
	<u>\$ 415,533</u>

The books and documents are currently on loan to the Edinburgh University Library.

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

Note 6 - Concentrations

The Organization maintains its bank and investment accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities up to \$500,000 per financial institution. At times, the balances of the Organization's accounts may have exceeded the insured limits during the year ended December 31, 2016.

During the year ended December 31, 2016, approximately 40% of the Organization's total revenue was provided by one major contributor. It is always possible that benefactors, grantors or contributors might be lost in the near term. In the event this funding ceases, the Organization's ability to continue as a going concern would be greatly diminished.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through October 20, 2017, which is the date the financial statements were available to be issued.