

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2017 AND 2016

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of December 31, 2017 and 2016	2
Statements of activities for the years ended December 31, 2017 and 2016	3
Statements of cash flows for the years ended December 31, 2017 and 2016	4
Statement of functional expenses for the year ended December 31, 2017 with comparative totals for 2016	5
Notes to financial statements	6 – 11



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New York, NY
October 31, 2018

Skody Scot & Company, CPAs, P.C.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 508,293	\$ 377,774
Contributions receivable	187,188	630,000
Investments	129,150	118,385
Book collection	415,605	415,533
	\$ 1,240,236	\$ 1,541,692
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,325	\$ 13,161
Total liabilities	17,325	13,161
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	580,796	605,636
Temporarily restricted	642,115	922,895
Permanently restricted	-	-
Total net assets	1,222,911	1,528,531
Total liabilities and net assets	\$ 1,240,236	\$ 1,541,692

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Support and Revenues:		
Unrestricted:		
Contributions	\$ 1,645,672	\$ 355,131
Net investment return	10,889	(16,735)
Release of restricted assets	665,895	238,095
Temporarily restricted:		
Contributions	385,115	672,895
Release of restricted assets	(665,895)	(238,095)
Total support and revenues	<u>2,041,676</u>	<u>1,011,291</u>
Expenses:		
Program services	2,317,882	935,845
Management and general	29,414	128,134
Total expenses	<u>2,347,296</u>	<u>1,063,979</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	(24,840)	(487,488)
Temporarily restricted	(280,780)	434,800
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>(305,620)</u>	<u>(52,688)</u>
Net assets, beginning of year	<u>1,528,531</u>	<u>1,581,219</u>
Net assets, end of year	<u>\$ 1,222,911</u>	<u>\$ 1,528,531</u>

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (305,620)	\$ (52,688)
Adjustments for non-cash items included in operating activities:		
Provision for uncollectible receivables	-	100,000
(Gains)/losses on investments	(10,765)	16,772
Donated stock	-	(37,181)
Donated books	(72)	-
Changes in assets and liabilities:		
Contributions receivable	442,812	(141,905)
Accounts payable and accrued expenses	4,164	(314)
Net cash provided/(used) by operating activities	<u>130,519</u>	<u>(115,316)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	130,519	(115,316)
Cash, beginning of year	<u>377,774</u>	<u>493,090</u>
Cash, end of year	<u>\$ 508,293</u>	<u>\$ 377,774</u>

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017			2016
	Program Services	Management and General	Total Expenses	Total Expenses
Grants to other organizations	\$ 2,317,882	\$ -	\$ 2,317,882	\$ 935,845
Consultants & outside services	-	13,275	13,275	9,900
Insurance	-	1,016	1,016	516
Office supplies & expenses	-	6,123	6,123	8,718
Professional fees	-	9,000	9,000	9,000
Provision for uncollectible receivables	-	-	-	100,000
Total expenses	\$ 2,317,882	\$ 29,414	\$ 2,347,296	\$ 1,063,979

See accompanying notes to the 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 statements 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 expenses 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 at their 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.

All contributions receivables are expected to be received and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

A provision for uncollectible other receivables is maintained at a level that, in management's judgment, is adequate to absorb uncollectible other receivables. The amount of the provision is based on management's evaluation of the collectability of the other receivables, including economic conditions, and other risks inherent in the receivables. The provision of uncollectible other receivables was \$100,000 at December 31, 2017 and 2016. The net amount of other receivables reported was \$0 at December 31, 2017 and 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, 2017 and 2016 in the statements 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, 2017 and 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, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds	\$ <u>168,431</u>	\$ <u>129,150</u>	\$(<u>39,281</u>)

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 years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 124	\$ 37
Net realized and unrealized gains/(losses)	<u>10,765</u>	<u>(16,772)</u>
Net investment income	<u>\$ 10,889</u>	<u>\$(16,735)</u>

Note 4 - Contributions Receivable

Promises to give are unconditional and nonreciprocal. As of December 31, 2017 and 2016, pledges are expected to be realized in the following periods:

	<u>2017</u>	<u>2016</u>
In one year or less	\$ 30,000	\$ 370,000
In one to five years	<u>160,000</u>	<u>260,000</u>
	190,000	630,000
Less: Discount	<u>(2,812)</u>	<u>(-)</u>
	<u>\$ 187,188</u>	<u>\$ 630,000</u>

During the year ended December 31, 2016, management decided not to discount long-term receivables due to prevailing low interest rates. The policy changed during the year ended December 31, 2017 and a discount was recorded at approximately 5%.

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

Note 5 - Restrictions on Net Assets

As of December 31, 2017 and 2016, temporarily restricted net assets are available in future years for the following purposes:

	<u>2017</u>	<u>2016</u>
Floodlighting and signage	\$ 197,000	\$ 300,000
Scholarships	89,100	444,058
Edinburgh fund	4,140	85,625
Renovation project	65,475	64,990
Advanced visual studies	217,625	-
Various other purposes	<u>68,775</u>	<u>28,222</u>
	<u>\$ 642,115</u>	<u>\$ 922,895</u>

Note 6 - Book Collection

As of December 31, 2017 and 2016, the Organization's book collection consisted of the following:

	<u>2017</u>	<u>2016</u>
Charles Darwin books and documents	\$ 320,800	\$ 320,800
Penny Royal Caxton Bible	6,058	6,058
John Steinbeck books	<u>88,747</u>	<u>88,675</u>
	<u>\$ 415,605</u>	<u>\$ 415,533</u>

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

Note 7 - 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 years ended December 31, 2017 and 2016.

During the year ended December 31, 2017, approximately 65% of the Organization's total revenue was provided by one major contributor with an unusual donation. During the year ended December 31, 2016, approximately 40% of the Organization's total revenue was provided by another major contributor. It is always possible that benefactors, grantors or contributors might be lost in the near term. In the event typical funding is terminated or significantly reduced, the Organization's ability to continue providing their programs at the same level of service would be greatly diminished.

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

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through October 31, 2018, which is the date the financial statements were available to be issued.