

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITORS' REPORT)  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007**

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**UNIVERSITY OF ENDINBURGH  
USA DEVELOPMENT TRUST INC.  
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(WITH INDEPENDENT AUDITORS' REPORT)  
FOR THE YEARS ENDED  
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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, 2008 and 2007, 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, 2008 and 2007, 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  
July 27, 2009

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and D)	\$ 48,355	\$ 51,084
Contributions receivable, net (Notes B and C)	943,191	632,529
Accrued interest receivable	151	1,616
Investments (Notes B and E)	<u>206,015</u>	<u>390,950</u>
	<u>\$ 1,197,712</u>	<u>\$ 1,076,179</u>
<b>TOTAL ASSETS</b>		
 <b>LIABILITIES</b>		
	<u>\$ 8,212</u>	<u>\$ 13,218</u>
Accrued expenses and other payables	<u>8,212</u>	<u>13,218</u>
<b>TOTAL LIABILITIES</b>		
 <b>NET ASSETS</b>		
Unrestricted	246,309	430,432
Temporarily restricted (Note F)	<u>943,191</u>	<u>632,529</u>
	<u>1,189,500</u>	<u>1,062,961</u>
<b>TOTAL NET ASSETS</b>		
	<u>\$ 1,197,712</u>	<u>\$ 1,076,179</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		

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, 2008 AND 2007

	2008			2007		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE - OPERATING</b>						
Contributions (Note C)	\$ 884,004	\$ 1,042,634	\$ 1,926,638	\$ 1,159,119	\$ 26,000	\$ 1,185,119
Investment income (Note E)	(64,934)		(64,934)	14,906		14,906
Net assets released from restrictions	31,972	(31,972)		80,641	(80,641)	
<b>TOTAL SUPPORT AND REVENUE - OPERATING</b>	<u>851,042</u>	<u>1,010,662</u>	<u>1,861,704</u>	<u>1,254,666</u>	<u>(54,641)</u>	<u>1,200,025</u>
<b>EXPENSES - OPERATING:</b>						
Program services - grant expense (Note B)	1,011,003		1,011,003	1,643,256		1,643,256
Management and general	24,162		24,162	28,528		28,528
<b>TOTAL EXPENSES - OPERATING</b>	<u>1,035,165</u>		<u>1,035,165</u>	<u>1,671,784</u>		<u>1,671,784</u>
<b>CHANGE IN NET ASSETS - OPERATING</b>	(184,123)	1,010,662	826,539	(417,118)	(54,641)	(471,759)
<b>NONOPERATING LOSS (NOTE B)</b>						
Loss on contributions receivable (Note G)		(700,000)	(700,000)			
<b>CHANGE IN NET ASSETS</b>	(184,123)	310,662	126,539	(417,118)	(54,641)	(471,759)
Net Assets - Beginning of Year	430,432	632,529	1,062,961	847,550	687,170	1,534,720
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 246,309</u>	<u>\$ 943,191</u>	<u>\$ 1,189,500</u>	<u>\$ 430,432</u>	<u>\$ 632,529</u>	<u>\$ 1,062,961</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, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets - Operating	\$ 826,539	\$ (471,759)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in discount on contributions receivable	(9,028)	(34,359)
Realized and unrealized losses on investments, net	80,955	9,650
Loss on contributions receivable	(700,000)	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(301,634)	263,566
Accrued interest receivable	1,465	(17)
(Decrease) increase in liabilities:		
Accrued expenses and other payables	(5,006)	6,485
<b>Net Cash Used by Operating Activites</b>	<b>(106,709)</b>	<b>(226,434)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(381,410)	(410,951)
Proceeds from sales of investments	485,390	10,351
<b>Net Cash Provided (Used) by Investing Activites</b>	<b>103,980</b>	<b>(400,600)</b>
<b>Net Decrease in Cash</b>	<b>(2,729)</b>	<b>(627,034)</b>
Cash and cash equivalents - beginning of year	51,084	678,118
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 48,355</b>	<b>\$ 51,084</b>

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

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 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. (See Note F).

**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.

**Grant Expenditures**

Grant expenditures are considered incurred at the time of approval.

UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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

**Financial Accounting Standards Board (FASB) Interpretation No. 48 – Accounting for Uncertainty in Income Taxes – and Interpretation of FASB Statement No. 109 (FIN 48)**

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. On November 7, 2007, the FASB voted to defer FIN 48 for one year until fiscal years beginning after December 15, 2007. On October 15, 2008, the FASB voted to continue the deferral of FIN 48, for non-public companies and not-for-profits, for an additional year until fiscal years beginning after December 15, 2008.

As FIN 48 has not yet been adopted, UEUDT is continuing to use FASB Statement No. 5, *Accounting for Contingencies* (“FASB 5”) to evaluate uncertain tax positions. UEUDT believes there would be no impact of adopting FIN 48 on the financial statements.

**Fair Value Measurements**

SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”) defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (“FSP 157-2”), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. A partial deferral of SFAS No. 157 was elected under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. Furthermore, the impact of implementing FSP 157-2 is not expected to be material on the financial statements. Partially adopting SFAS No. 157 effective January 1, 2008 had no impact on the financial statements.

On October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (“FSP 157-3”), which clarifies application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP had no impact on the financial statements.



**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

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

**Fair Value Measurements on a Recurring Basis**

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The following table presents the asset balances measured at fair value on a recurring basis as of December 31, 2008:

	<u>Level 1 (1)</u>	<u>Level 2 (2)</u>	<u>Level 3 (3)</u>	<u>Total</u>
Assets				
Investments	\$ 206,015	\$	\$	\$ 206,015
Contributions receivable			943,191	943,191
	<u>\$ 206,015</u>	<u>\$</u>	<u>\$ 943,191</u>	<u>\$ 1,149,206</u>

- (1) Quoted prices in active markets for identical assets or liabilities  
(2) Observable inputs other than quoted prices in active markets for identical assets and liabilities  
(3) No observable pricing inputs in the market

**Fair Value Measurements on a Nonrecurring Basis**

As permitted by FSP 157-2, the fair value measurement disclosure was deferred for any (a) long-lived assets and finite-lived intangible assets in the determination of impairment under SFAS No. 42 or SFAS No. 144, (b) asset retirement obligations initially measured at fair value under SFAS No. 143, *Accounting for Asset Retirement Obligations*, and c) nonfinancial liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115* (“SFAS No. 159”), permits but does not require to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in earnings. As UEUDT did not elect to fair value any of their financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

**Nonoperating Loss**

UEUDT considers losses on contributions receivable to be nonoperating.

**Note C - Contributions Receivable**

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31, 2008 and 2007:

Contributions receivable expected to be collected in:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 43,634	\$ 141,000
One to five years	1,014,000	515,000
Greater than five years		100,000
	<u>1,057,634</u>	<u>756,000</u>
Less: discount to net present value at 5%	<u>114,443</u>	<u>123,471</u>
	<u>\$ 943,191</u>	<u>\$ 632,529</u>

**UNIVERSITY OF EDINBURGH  
USA DEVELOPMENT TRUST INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**Note D – Concentrations**

- 1) 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, 2008 and 2007, the total uninsured cash balance approximated \$-0- and \$414,000, respectively. Management believes that credit risk related to these accounts is minimal. Effective October 3, 2008, the amount insured by the FDIC increased to \$250,000. This limit will be in effect through December 31, 2013.
- 2) For the year ended December 31, 2008, approximately 65% of all the Organization's contributions were received from one donor. In addition, approximately 95% of the contributions receivable at December 31, 2008 are due from that donor.

**Note E – Investments**

Investments consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equities	<u>\$ 206,015</u>	<u>\$ 390,950</u>

UEUDT's equity holdings at December 31, 2008 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 (loss) income consists of the following at December 31, 2008 and 2007:

Interest and dividends	\$ 16,021	\$ 24,556
Realized (losses) gains	(18,410)	2,839
Unrealized losses	<u>(62,545)</u>	<u>(12,489)</u>
Total	<u>\$ (64,934)</u>	<u>\$ 14,906</u>

**Note F – Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2008 and 2007 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 UEUDT board of directors.

**Note G – Loss on Contributions Receivable**

During 2008, UEUDT has determined that a contribution receivable in the amount of \$700,000 was uncollectible. This receivable was written off at December 31, 2008.