

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.

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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, expenses, 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 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, 2018 and 2017, 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 15, 2019

Skody Scot & Company, CPAs, P.C.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 224,541	\$ 508,293
Contributions receivable, net	60,000	187,188
Investments	124,995	129,150
Book collection	415,605	415,605
	<u> </u>	<u> </u>
Total assets	<u>\$ 825,141</u>	<u>\$ 1,240,236</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,832	\$ 17,325
Total liabilities	<u>9,832</u>	<u>17,325</u>
 Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	487,685	580,796
With donor restrictions	327,624	642,115
	<u> </u>	<u> </u>
Total net assets	<u>815,309</u>	<u>1,222,911</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 825,141</u>	<u>\$ 1,240,236</u>

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 577,862	\$ 157,924	\$ 735,786	\$ 1,645,672	\$ 385,115	\$ 2,030,787
Net investment return	(7,307)	-	(7,307)	10,889	-	10,889
Net assets released from restriction:						
Satisfaction of purpose restrictions	472,415	(472,415)	-	665,895	(665,895)	-
Total support and revenues	1,042,970	(314,491)	728,479	2,322,456	(280,780)	2,041,676
Expenses:						
Program services	1,107,731	-	1,107,731	2,317,882	-	2,317,882
Management and general	28,350	-	28,350	29,414	-	29,414
Total expenses	1,136,081	-	1,136,081	2,347,296	-	2,347,296
Increase/(Decrease) in net assets	(93,111)	(314,491)	(407,602)	(24,840)	(280,780)	(305,620)
Net assets, beginning of year	580,796	642,115	1,222,911	605,636	922,895	1,528,531
Net assets, end of year	\$ 487,685	\$ 327,624	\$ 815,309	\$ 580,796	\$ 642,115	\$ 1,222,911

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Grants to other organizations	\$ 1,107,731	\$ -	\$ 1,107,731
Consultants & outside services	-	9,907	9,907
Office supplies & expenses	-	6,443	6,443
Professional fees	-	12,000	12,000
Total expenses	<u>\$ 1,107,731</u>	<u>\$ 28,350</u>	<u>\$ 1,136,081</u>

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Grants to other organizations	\$ 2,317,882	\$ -	\$2,317,882
Consultants & outside services	-	13,275	13,275
Insurance	-	1,016	1,016
Office supplies & expenses	-	6,123	6,123
Professional fees	-	9,000	9,000
Total expenses	<u>\$ 2,317,882</u>	<u>\$ 29,414</u>	<u>\$2,347,296</u>

See accompanying notes to the financial statements.

UNIVERSITY OF EDINBURGH USA DEVELOPMENT TRUST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (407,602)	\$ (305,620)
Adjustments for non-cash items included in operating activities:		
Discount on pledges	-	2,812
(Gains)/losses on investments	7,317	(10,765)
Donated stock	(3,162)	-
Donated books	-	(72)
Amortization of pledge discount	(2,812)	-
Changes in assets and liabilities:		
Contributions receivable	130,000	440,000
Accounts payable and accrued expenses	(7,493)	4,164
Net cash provided/(used) by operating activities	(283,752)	130,519
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	(283,752)	130,519
Cash, beginning of year	508,293	377,774
Cash, end of year	\$ 224,541	\$ 508,293

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.

Change in Accounting Principle

In 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017. The net amount of other receivables reported was \$0 at December 31, 2018 and 2017.

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.

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 statements of expenses. All expenses are directly classified with no need to allocate between functional areas. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

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 revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017 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.

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.

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.

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

Note 2 - Fair Value Measurement of Investments (Continued)

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, 2018 and 2017, all of the Organization's investments fall within Level 1 of the fair value hierarchy.

Note 3 - Investments

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds	\$ <u>171,593</u>	\$ <u>124,995</u>	\$(<u>46,598</u>)

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>)

Note 4 - Book Collection

As of December 31, 2018 and 2017, the Organization's book collection consisted of the following:

	<u>2018</u>	<u>2017</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>88,747</u>
	<u>\$ 415,605</u>	<u>\$ 415,605</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 4 - Contributions Receivable

Promises to give are unconditional and nonreciprocal. As of December 31, 2018 and 2017, pledges are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 30,000	\$ 30,000
In one to five years	<u>30,000</u>	<u>160,000</u>
	60,000	190,000
Less: Discount at 2%	<u>(-)</u>	<u>(2,812)</u>
	<u>\$ 60,000</u>	<u>\$ 187,188</u>

During the year ended December 31, 2018, management decided not to discount long-term receivables due to prevailing low interest rates.

Note 5 - Restrictions on Net Assets

As of December 31, 2018 and 2017, net assets with donor restrictions are available in future years as follows:

	<u>2018</u>	<u>2017</u>
Floodlighting and signage	\$ 100,000	\$ 197,000
Scholarships	113,350	89,100
Edinburgh fund	7,564	4,140
Renovation project	63,050	65,475
Advanced visual studies	-	217,625
Various other purposes	<u>43,660</u>	<u>68,775</u>
	<u>\$ 327,624</u>	<u>\$ 642,115</u>

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 years ended December 31, 2018 and 2017.

During the year ended December 31, 2018, approximately 49% of the Organization's total revenue was provided by three major contributors. During the year ended December 31, 2017, approximately 65% of the Organization's total revenue was provided by another major contributor with an unusual donation. 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 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash	\$ 224,541	\$ 508,293
Contributions receivable, net	60,000	187,188
Investments	<u>124,995</u>	<u>129,150</u>
Total financial assets	409,536	824,631
Less those unavailable for general Expenditures within one year:		
Receivables scheduled to be collected in more than one year	<u>(30,000)</u>	<u>(160,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 379,536</u>	<u>\$ 664,631</u>

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through October 15, 2019, which is the date the financial statements were available to be issued.