

Financial Statements of

**NATIONAL TRUST FOR THE CAYMAN
ISLANDS**

June 30, 2010

NATIONAL TRUST FOR THE CAYMAN ISLANDS

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Independent Auditors' Report to the Council and Members

We have audited the accompanying financial statements of the National Trust for the Cayman Islands (the "Trust"), which comprise the statement of financial position as at June 30, 2010, and the statements of activities and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America and for such internal control as management determines as necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion Paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal control relevant to the Trust'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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of 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 opinion.

Basis for Qualified Opinion

The system of internal controls of the Trust, in common with many other organisations of similar size and purpose, is dependent upon the close involvement of the Trust's management. The Trust derives a substantial portion of its revenue from sources which cannot be fully controlled until they are entered into the accounting records and are therefore not susceptible to independent audit verification. Accordingly, it was not practicable to extend our auditing procedures of such revenue beyond the amounts recorded. This revenue is stated at CIS\$278,918 on the statement of activities.

Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary as discussed in the Basis for Qualified Opinion Paragraph the financial statements present fairly, in all material respects, the financial position of the Trust as at June 30, 2010, and its financial performance and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG

March 18, 2011

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Financial Position

June 30, 2010

(stated in Cayman Islands dollars)

	Note	2010
Assets		
<i>Current assets</i>		
Cash and cash equivalents		1,897,816
Accounts and other receivables		17,098
Inventory		69,749
		<hr/>
		1,984,663
Fixed assets	3	245,970
Land	9	7,250,139
		<hr/>
Total assets		CI\$ 9,480,772
Liabilities and fund balances		
Liabilities		
Accounts payable and accrued expenses		5,591
		<hr/>
		5,591
		<hr/>
Net assets		CI\$ 9,475,181
Net assets comprise:		
Unrestricted		1,141,526
Temporarily restricted	8	1,083,516
Permanently restricted	9	7,250,139
		<hr/>
		CI\$ 9,475,181
		<hr/>

See accompanying notes to financial statements.

Approved on behalf of the Council on March 18, 2011

CARLA REID

Chairman

GARY REDFERN

Treasurer

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Activities

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	Unrestricted	Temporarily Restricted*	Permanently Restricted	Total
Revenue and support from operations				
Government grants	308,000	-	-	308,000
Donations, donated goods and services	278,918	18,114	-	297,032
Fundraising events	175,995	-	-	175,995
Tours	53,893	-	-	53,893
Membership dues – corporate	34,340	-	-	34,340
Product sales to public	21,891	-	-	21,891
Membership dues – individuals	11,890	-	-	11,890
Interest income	253	-	-	253
	885,180	18,114	-	903,294
Program service expenses				
Environmental preservation	191,527	-	-	191,527
Historic preservation	147,334	-	-	147,334
Educational programmes	53,578	-	-	53,578
	392,439	-	-	392,439
Support service expenses				
Operating and administration	299,037	-	-	299,037
Depreciation of fixed assets	36,946	-	-	36,946
Cost of fundraising events	22,048	-	-	22,048
Pension	16,957	-	-	16,957
Bad debt expense	800	-	-	800
	375,788	-	-	375,788
Increase in fund balances for year	116,953	18,114	-	135,067
Fund balances at beginning of year	1,303,373	1,065,402	6,971,339	9,340,114
Transfers to permanently restricted fund	(278,800)	-	278,800	-
Fund balances at end of year	CI\$ 1,141,526	1,083,516	7,250,139	9,475,181

* See Note 8.

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Cash Flows

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	2010
Cash provided by/(applied in):	
Operating activities	
Increase in fund balances for year	135,067
Add/(deduct):	
Items not requiring the use of cash:	
Bad debt expense	800
Depreciation	36,946
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts and other receivables	(12,712)
Inventory	(9,390)
Accounts payable and accrued expenses	(11,109)
	<u>139,602</u>
Cash flows from investing activities	
Purchase of land	(278,800)
Purchase of fixed assets	(46,902)
	<u>(325,702)</u>
Decrease in cash and cash equivalents during year	<u>(186,100)</u>
Cash and cash equivalents at beginning of year	2,083,916
Cash and cash equivalents at end of year	<u>CI\$ 1,897,816</u>

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements

Year ended June 30, 2010

(stated in Cayman Islands dollars)

1. Background information

The National Trust for the Cayman Islands (the “Trust”) was formed on September 14, 1987 by the enactment of the National Trust for the Cayman Islands Law, 1987 (the “Trust Law”).

The purpose of the Trust is the preservation of the historic, natural and maritime heritage of the Cayman Islands, the conservation of lands, natural features and submarine areas of beauty with historic or environmental importance and, the protection of native flora and fauna. The registered office of the Trust is P.O. Box 31116, George Town, Grand Cayman KY1-1205, Cayman Islands. The Trust had 9 employees at June 30, 2010.

2. Significant accounting policies

A summary of the significant accounting policies is as follows:

(a) Basis of accounting

The financial statements are prepared on the accrual basis of accounting whereby revenue is recognised when earned and expenses are recognised when incurred with the exception of membership dues and donations and government grants, which are recorded in the period in which they are received.

(b) Basis of presentation

The financial statements are prepared in conformity with the accounting principles generally accepted in the United States of America (“U.S. GAAP”) and specifically follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Trust 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.

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

(i) Unrestricted net assets

Net assets that are not subject to any donor-imposed stipulations.

(ii) Temporarily restricted net assets

Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Trust or the passage of time.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(b) Basis of presentation (continued)

(iii) Permanently restricted net assets

Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Trust. Generally, the donors permit the Trust to use all or part of the income earned for either general or donor-specified purposes. Any property acquired by the Trust by any means which is eligible for placement on the Heritage Register under the bye-laws of the Trust may be declared inalienable by the Council.

(c) Government grants

Government grants are received for financial support on a quarterly basis and are recorded when received. Grants may also be received for special projects and these are matched with project expenditure over the term of the project and recorded in the unrestricted fund balance statement of operations when the expenditure is incurred.

(d) Use of 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 the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

(e) Donated materials and services

A number of unpaid volunteers have made significant contributions of their time and resources to manage and carry out the Trust's activities. The value of these contributions is not reflected in these financial statements when they are not susceptible to objective measurement or valuation. In addition, the Trust has received certain goods as donations. The value of these donated goods and services are reflected in the financial statements at their estimated value at the date of receipt.

(f) Programme services

Amounts related to specific programmes of the Trust are reclassified in the current financial year in order to allocate the related revenue and expenditure to the specific programmes so that the activity of each individual programme can be more closely monitored by Council. In addition, the Cayman Wildlife Rescue project (set up to rescue and rehabilitate sick, injured and orphaned wildlife for release back in to the wild) is included in the financial statements under environmental preservation for the first time at the request of Council to reflect the Trust's complete undertakings. Such revenue and expenses are recorded on an accrual basis and recognised when incurred.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(g) Pension and other post-retirement benefits

Pension and other post-retirement benefits are recorded on an accrual basis based on the contribution rate.

(h) Inventory

Inventory is valued at the lower of cost and net realisable value. Goods purchased for resale are recorded at cost. Contributed inventories are recorded at their estimated value at the date of receipt.

(i) Fixed assets

Fixed assets are recorded at cost and depreciated by the straight line method over the estimated useful lives of the assets as follows:

Trust house and Visitors' centre	20 years
Fixtures	5 years
Office equipment	3 years
Vehicles	5 years
Iguana captive breeding facility	10 years

(j) Heritage properties

The Trust owns certain properties, which have been acquired by gift or purchase, and are important to the Trust in carrying out its historic and environmental preservation programmes. The Trust includes in its assets the cost or appraised value at the date of acquisition of those heritage properties. The Trust is precluded from selling or pledging these properties as securities for borrowings.

(k) Cash and cash equivalents

For the purposes of the statement of cash flows, the Trust considers all short-term investments with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents include Cayman Islands dollar fixed deposits, money market funds and current accounts.

The money market fund is valued at the prevailing net asset value per share as supplied by the relevant fund manager in accordance with industry practice.

(l) Foreign exchange

Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated to Cayman Islands dollars at the rates of exchange prevailing at the date of the statement of financial position. Gains and losses on exchange, if any, are taken to the statement of activities.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2010

(stated in Cayman Islands dollars)

3. Fixed assets

	Trust house & Visitor's centre	Fixtures & equipment	Vehicles	Iguana captive breeding facility	Total
Cost:					
Balance at beginning of year	264,760	213,687	10,000	167,594	656,041
Additions during year	26,134	4,080	-	16,688	46,902
Balance at end of year	290,894	217,767	10,000	184,282	702,943
Accumulated depreciation:					
Balance at beginning of year	196,102	166,367	4,000	53,558	420,027
Depreciation during year	4,740	17,133	2,000	13,073	36,946
Balance at end of year	200,842	183,500	6,000	66,631	456,973
Net book value at June 30, 2010 CI\$	90,052	34,267	4,000	117,651	245,970

In July 2006 the Trust moved to its present location at 558A South Church Street located on crown land in George Town. The major expenses for the upkeep of this building are met by the Government. The estimated fair value of the original donated house and expenses incurred in bringing the house to operational use were capitalised and recorded as a fixed asset during the year ended August 31, 1990. Currently the Trust is not charged a monthly rent for use of the property.

4. Concentration of credit risk

At June 30, 2010 the Trust had 67% of its cash and cash equivalents in one financial institution in the Cayman Islands. As such, the Trust is exposed to credit-related losses in the event of non-performance by the financial institution. However, the Council of the Trust does not anticipate any material losses as a result of this concentration.

5. Commitments and contingent liabilities

The Trust leases certain properties under operating leases. In 1991 the Trust entered into a lease on land used for the Old Savannah School House. The annual commitment is CI\$1 and the duration of the lease is 99 years.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2010

(stated in Cayman Islands dollars)

6. Pension scheme

The Trust participates in the Colonial Private Trust Pension Plan, a defined contribution pension fund. Cayman Islands law requires all employees to participate in a pension scheme. The Trust is required to match each employee's contributions on a one to one basis up to 5% of the employee's annual salary. During the year ended June 30, 2010, the Trust contributed CI\$16,957 for all employees.

7. Economic dependence

The nature of the Trust's operations is such that there can be considerable fluctuations in its cash flows. The Trust's ability to continue as a going concern is dependent on receiving sufficient government funding and donations in order to meet ongoing expenses. Accordingly, the Trust is economically dependent on the Cayman Islands Government.

8. Temporarily restricted net assets

	2010
Mission House	438,431
Land Reserves Fund	269,332
Little Cayman	184,579
Species Conservation ⁽²⁾	82,810
Endowment Fund	38,097
Public Awareness CWC Campaign ⁽¹⁾	14,566
Biodiversity Study	11,526
West Bay	11,061
North Side	6,801
Miss Izzy's Schoolhouse	5,642
Mahogany Forest	5,450
Cayman Brac	3,585
Legal Fund	3,537
Environmental Education	3,000
George Town	2,681
Historic Preservation Awards	1,043
Governor Gore Bird Sanctuary	923
Watler's Cemetery	452
	CI\$ 1,083,516

⁽¹⁾ Central Mangrove Wetland

⁽²⁾ Blue Iguana Species Conservation inclusive of prior years Central Florida Zoo & Environmental Fund of Territory fund balances.

Funds released from restrictions that result in a project specific fund balance to be in deficit are recouped from funds in the unrestricted general fund and restricted district committees' fund.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2010

(stated in Cayman Islands dollars)

9. Permanently restricted net assets

At June 30, 2010, the Trust's heritage properties comprise:

	2010
The Booby Pond Nature Reserve – Little Cayman	1,232,424
The Brac Parrot Reserve – Cayman Brac	1,177,931
The Mastic Reserve – Grand Cayman	1,133,315
The Central Mangrove Wetland – Grand Cayman	1,018,000
The Salina Reserve – Grand Cayman	997,440
Uncle Sammy's Pond – Grand Cayman	315,000
Salt Rocks Trail – Little Cayman	278,800
The Governor Gore Bird Sanctuary – Grand Cayman	223,862
Dr. Roy's Ironshore – Grand Cayman	178,252
Eldemire House – Cayman Brac	159,900
Nurse Leila's House – Grand Cayman	142,000
Heritage Beach – Grand Cayman	84,647
The Mission House – Grand Cayman	70,000
The Mass Grave Site – Cayman Brac	66,000
Brac Splits – Cayman Brac	62,320
The Queen Elizabeth II Park – Grand Cayman	45,000
Jackson's Wall – Grand Cayman	20,248
Fort George – Grand Cayman	30,000
The Bodden Town Guard House – Grand Cayman	10,000
Miss Izzy's Schoolhouse – Grand Cayman	5,000
	CI\$ 7,250,139

10. Subsequent events

On July 1, 2010, the Trust received their first tranche payment for EU Funding, a multi-year management plan for the preservation of dry shrubland which is a primary habitat of the critically endangered Blue Iguana and the 2010/11 budget for the annual Government Grant to the Trust was reduced to CI\$263,340.