

Financial Statements of

**NATIONAL TRUST FOR THE CAYMAN
ISLANDS**

June 30, 2011

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, 2011, 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\$426,781 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, 2011, 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.

September 29, 2011

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Financial Position

June 30, 2011

(stated in Cayman Islands dollars)

	Note	2011
Assets		
<i>Current assets</i>		
Cash and cash equivalents		1,477,221
Accounts and other receivables		108,016
Inventory		46,648
		<hr/> 1,631,885
<i>Non-current assets</i>		
Fixed assets	3	446,864
Heritage properties	4,12	8,148,979
		<hr/> 8,595,843
Total assets		<hr/> CI\$ 10,227,728
Liabilities		
Accounts payable and accrued expenses		6,641
EU Grant	5	313,234
		<hr/> CI\$ 319,875
Net assets		<hr/> CI\$ 9,907,853
Net assets comprise:		
Unrestricted		1,041,143
Temporarily restricted	11	717,731
Permanently restricted	12	8,148,979
		<hr/> CI\$ 9,907,853

See accompanying notes to financial statements.

Approved on behalf of the Council on September 29, 2011

CARLA REID

_____ Chairman

GARY REDFERN

_____ Treasurer

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Activities

Year ended June 30, 2011

(stated in Cayman Islands dollars)

	Unrestricted	Temporarily Restricted*	Permanently Restricted	Total
Revenue and support from operations				
Donations, donated goods and services	426,781		93,974	520,755
Government grants	263,340			263,340
Fundraising events	174,274			174,274
Product sales to public	41,427			41,427
Tours	32,570			32,570
Membership dues – corporate	10,000			10,000
Membership dues – individuals	8,417			8,417
Interest income	445			445
	957,254		93,974	1,051,228
Programme service expenses				
Environmental preservation	244,472			244,472
Historic preservation	149,106			149,106
Educational programmes	59,215			59,215
	452,793			452,793
Support service expenses				
Operating and administration	277,065			277,065
Depreciation of fixed assets	80,344			80,344
Cost of fundraising events	44,046			44,046
Inventory write off	22,404			22,404
Pension	20,342			20,342
	444,201			444,201
Increase in fund balances for year	60,260		93,974	154,234
Fund balances at beginning of year	1,141,526	1,083,516	7,250,139	9,475,181
Transfer to permanently restricted funds	(804,866)		804,866	
Transfer from temporarily restricted to unrestricted funds to reclass the value of property – Mission House*	327,575	(327,575)		0
Retrospective accounting policy adjustment**	316,648	(38,210)		278,438
Fund balances at end of year	CI\$ 1,041,143	717,731	8,148,979	9,907,853

* See Note 11.

** See Note 3.

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Cash Flows

Year ended June 30, 2011

(stated in Cayman Islands dollars)

	2011
Cash provided by/(applied in):	
Operating activities	
Increase in unrestricted fund balances for year	60,260
Add/(deduct):	
Items not requiring the use of cash:	
Depreciation	80,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts and other receivables	(90,918)
Inventory	23,101
Accounts payable and accrued expenses	1,050
	<u>73,837</u>
Cash flows from investing activities	
Purchase of land	(804,866)
Purchase of fixed assets	(2,800)
	<u>(807,666)</u>
Cash flows from financing activities	
EU Grant	313,234
	<u>(420,595)</u>
Decrease in cash and cash equivalents during year	(420,595)
Cash and cash equivalents at beginning of year	1,897,816
Cash and cash equivalents at end of year	CI\$ 1,477,221

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements

Year ended June 30, 2011

(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 10 employees at June 30, 2011.

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, 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 Codification Topic 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, 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, 2011

(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 of the statement of activities 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 represent the related revenue and expenditure to the specific programmes so that the activity of each individual programme can be more closely monitored by the Council. Such revenues 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, 2011

(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:

Mission House, Trust house and Visitors' centre	20 years
Iguana captive breeding facility	10 years
Fixtures	5 years
Office equipment	3 years
Vehicles	5 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, 2011

(stated in Cayman Islands dollars)

3. Fixed assets

	Mission House, Trust house & Visitor's centre	Fixtures & equipment	Vehicles	Iguana captive breeding facility	Total
Cost:					
Balance at beginning of year	290,894	217,767	10,000	184,282	702,943
Retrospective accounting policy adjustment	327,575				327,575
Additions during year		1,200	1,600		2,800
Balance at end of year	618,469	218,967	11,600	184,282	1,033,318
Accumulated depreciation:					
Balance at beginning of year	200,842	183,500	6,000	66,631	456,973
Retrospective accounting policy adjustment	49,137				49,137
Depreciation during year	24,929	34,667	2,320	18,428	80,344
Balance at end of year	274,908	218,167	8,320	85,059	586,454
Net book value at June 30, 2010	CI\$ 343,561	800	3,280	99,223	446,864

The decision was made by the Trust to reclassify the Mission House buildings from a temporarily restricted net asset to a depreciable fixed asset as at June 30, 2011. During the 2007 financial year, the Trust changed their accounting policy from Special Purpose and adopted presenting the financial statements in accordance with US GAAP, specifically ASC 958. Therefore in conformance with ASC 958, the Trust reclassifies the Mission House buildings as a fixed asset depreciated by the straight line method over an estimated useful life of 20 years. A retrospective accounting policy adjustment to fixed assets totalling CI\$327,575 in addition to the accumulated depreciation of fixed assets with a value of CI\$49,137 was recorded during the current year. As such an adjustment was made to the statement of activities transferring the value of CI\$327,575 from the temporarily restricted to the unrestricted funds account. A related retrospective accounting policy adjustment decreasing the temporarily restricted fund account by CI\$38,210 and increasing the unrestricted fund balance by CI\$316,648 was recorded with respect to the funds exhausted as at June 30, 2011, (refer to note 11).

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2011

(stated in Cayman Islands dollars)

3. Fixed assets (continued)

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. Heritage properties

	2011
Cost:	
Balance at beginning of year	7,250,139
Purchased additions during the year	804,866
Donated additions during the year	93,974
Balance at year end	CI\$ 8,148,979

During the year, the Trust purchased land located in North Side for the Mastic Reserve totalling value of CI\$804,866. The Trust also received donated land located in Little Cayman with a value of CI\$93,974 for Mahogany Bay valued at CI\$48,000 and Woodlands valued at CI\$45,974.

5. EU Grant

On January 15, 2010, the Trust signed a contract for an European Community (EU) grant to fund a multi-year management plan for the preservation of dry shrubland which is the primary habitat of the critically endangered Blue Iguana. This project will help to stimulate sustainable eco-tourism. The grant is for a maximum of EUR 550,000 (CI\$658,854), of which the first tranche of EUR 263,095 (CI\$313,234) was received on July 1, 2010.

The terms of the EU Grant stipulate that if any monies are not spent according to the terms of the contract, the said funds are repayable to the European Commission on demand. The Trust has therefore recorded the funds received initially as a liability on the statement of financial position and as monies are spent the liability will be reversed and attributed to income, and simultaneously the cash spent will be expensed through the unrestricted fund balance.

6. Concentration of credit risk

At June 30, 2011 the Trust had its cash and cash equivalents in two financial institutions, 52% in Cayman National Bank Ltd. and the remainder in Butterfield Bank (Cayman) Limited. As such, the Trust is exposed to credit-related losses in the event of non-performance by the above financial institutions. However, the Council of the Trust does not anticipate any material losses as a result of this concentration.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2011

(stated in Cayman Islands dollars)

7. 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.

8. 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, 2011, the Trust contributed CI\$20,342 for all employees.

9. 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.

10. Taxation

There are no taxes on income or gains in the Cayman Islands. Accordingly, no provision for income taxes is included in these financial statements.

11. Temporarily restricted net assets

In order to fully comply with US GAAP, specifically ASC 958, the major reclassification from the temporarily restricted funds was in relation to the Mission House buildings, where the Trust updated the designated fixed asset category and the related equity balance to reflect the Mission House buildings valuation totalling CI\$327,575, (refer to note 3). Prior to the 2007 financial year, the Trust prepared special purpose financial statements and the cost of the Mission House buildings were written off at the time incurred, due to the damages sustained by the building during Hurricane Ivan in 2004. Therefore all related renovations costs that were included in the temporarily restricted accounts were written-off and in line with this, the Trust took the opportunity to adjust all balances in the temporarily restricted to accurately reflect the Fund balances as at June 30, 2011 through another retrospective accounting policy adjustment decreasing the temporarily restricted fund account by CI\$38,210 and increasing the unrestricted fund balance by CI\$316,648. The Trust has implemented controls to ensure all monies donated and/or spent in the future are properly monitored and recorded going forward.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2011

(stated in Cayman Islands dollars)

11. Temporarily restricted net assets (continued)

At June 30, 2011 the Trust's temporarily restricted fund comprise:

	2011
Little Cayman	331,628
Land Reserves Fund	213,748
Species Conservation	97,873
West Bay	21,228
Eldemire House	16,562
Uncle Sammy's Pond	12,973
North Side	9,469
Cayman Brac	8,791
Heritage Beach	3,150
Nurse Leila's House	2,129
Guard House Hill	180
	CI\$ 717,731

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2011

(stated in Cayman Islands dollars)

12. Permanently restricted net assets

At June 30, 2011, the Trust's heritage properties/land comprise:

	2011
The Booby Pond Nature Reserve – Little Cayman	1,232,424
The Brac Parrot Reserve – Cayman Brac	1,177,931
The Mastic Reserve – Grand Cayman	1,938,181
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
Mahogany Bay – Little Cayman	48,000
Woodlands – Little Cayman	45,974
The Queen Elizabeth II Park – Grand Cayman	45,000
Fort George – Grand Cayman	30,000
Jackson's Wall – Grand Cayman	20,248
The Bodden Town Guard House – Grand Cayman	10,000
Miss Izzy's Schoolhouse – Grand Cayman	5,000
	CI\$ 8,148,979