

Financial Statements of

**NATIONAL TRUST FOR THE CAYMAN  
ISLANDS**

June 30, 2014

## **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, 2014, 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. 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 audit 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.

### *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, 2014, 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.



**Independent Auditors' Report to the Council and Members (continued)**

*Emphasis of Matter*

Without further qualifying our opinion, we draw attention to notes 1 and 9 to the financial statements. The Trust is economically dependent on the Cayman Islands Government and fulfils a vital role in assisting them in meeting its international and domestic obligations under various treaties and conventions designed to conserve the environment.

KPMG

August 22, 2014

# NATIONAL TRUST FOR THE CAYMAN ISLANDS

## Statement of Financial Position

June 30, 2014

*(stated in Cayman Islands dollars)*

	Note	2014
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents:		
Unrestricted (includes time deposit: CI\$75,306)		406,210
Restricted	11	446,055
Accounts and other receivables		1,158
Inventory		28,405
Prepaid expenses		17,913
		899,741
<i>Non-current assets</i>		
Fixed assets	3	313,783
Heritage properties	4,12	11,547,683
		11,861,466
Total assets		CI\$ 12,761,207
<b>Liabilities</b>		
Accounts payable and accrued expenses		42,418
Total liabilities		CI\$ 42,418
<b>Net assets</b>		CI\$ 12,718,789
<b>Net assets comprise:</b>		
Unrestricted		3,285,851
Temporarily restricted	11	446,055
Permanently restricted	12	8,986,883
		CI\$ 12,718,789

*See accompanying notes to financial statements.*

Approved on behalf of the Council on August 22, 2014

CARLA REID

\_\_\_\_\_  
Chairman

PETER ANDERSON

\_\_\_\_\_  
Executive Member

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

### Statement of Activities

Year ended June 30, 2014

(stated in Cayman Islands dollars)

	Unrestricted	Temporarily Restricted*	Permanently Restricted**	Total
<b>Revenue and support from operations</b>				
Donations, donated goods and services	278,125	143,493		421,618
Government grants	470,000			470,000
Fundraising events	110,847	47,305		158,152
Tours	18,227	20,561		38,788
Product sales to public	27,122	12,435		39,557
Membership dues – individuals	15,403			15,403
Membership dues – corporate	1,000			1,000
Interest income	32	15		47
	920,756	223,809		1,144,565
<b>Programme service expenses</b>				
Environmental preservation	198,512	103,622		302,134
Historic preservation	116,132	22,619		138,751
Educational programmes	25,478			25,478
	340,122	126,241		466,363
<b>Support service expenses</b>				
Operating and administration	263,562	58,314		321,876
Depreciation of fixed assets	47,861			47,861
Cost of fundraising events	67,446			67,446
Cost of sales to public	43,349			43,349
Pension	21,864			21,864
	444,082	58,314		502,396
<b>Increase in fund balances for year</b>	136,552	39,254		175,806
Fund balances at beginning of year	3,904,225	555,799	8,082,959	12,542,983
Net transfer from temporarily restricted funds	(754,926)	(148,998)	903,924	
<b>Fund balances at end of year</b>	CI\$ 3,285,851	446,055	8,986,883	12,718,789

\* Refer Note 11.

\*\* Refer Notes 4. and 12.

See accompanying notes to financial statements.

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

### Statement of Cash Flows

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

	2014
<b>Cash provided by/(applied in):</b>	
<b>Operating activities</b>	
Increase in fund balances for year	175,806
Add/(deduct):	
Items not requiring the use of cash:	
Depreciation	47,861
Land donated to the Trust	(8,640)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in accounts and other receivables	6,575
Increase in prepaid expenses	(12,955)
Decrease in inventory	28,442
Increase in accounts payable and accrued expenses	30,223
	<u>267,312</u>
<b>Cash flows from investing activities</b>	
Purchase of land	(125,000)
Purchase of fixtures and fittings	(1,123)
	<u>(126,123)</u>
<b>Decrease in cash and cash equivalents during year</b>	<u>141,189</u>
Cash and cash equivalents at beginning of year	711,076
<b>Cash and cash equivalents at end of year</b>	<u>CI\$ 852,265</u>

*See accompanying notes to financial statements.*

# NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

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## 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 Trust plays a vital role in assisting the Cayman Islands Government in meeting its international and domestic obligations under various treaties and conventions designed to conserve the environment. These treaties and conventions require the establishment and maintenance of a system of protected areas in order to safeguard the country’s biodiversity and the Trust has been responsible for the majority of the progress in the area of terrestrial conservation over the last decade. The substantial contribution that the Trust makes would otherwise fall on Government at considerably greater cost.

These treaties and conventions encompass the September 2001 Environment Charter signed by the Cayman Islands Government and United Kingdom, the Convention on Biological Diversity (the “Rio” convention), the Convention on Wetlands of International Importance (“Ramsar Convention”), the Specially Protected Areas and Wildlife protocol to the Cartagena Convention (the “SPAW Protocol”) and the Convention on the Conservation of Migratory Species of Wild Animals (“Bonn Convention”).

The registered office of the Trust is P.O. Box 31116, George Town, Grand Cayman KY1-1205, Cayman Islands. The Trust has 12 employees at June 30, 2014.

## 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.



## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

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### 2. Significant accounting policies (continued)

#### *(b) Basis of presentation (continued)*

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.

##### *(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 make 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, with the exception of audit fees for which services are donated.

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

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### 2. Significant accounting policies (continued)

*(e) Donated materials and services (continued)*

The estimated cost of the audit for the year ended June 30, 2014 is CI\$25,000.

*(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.

*(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
Vehicles	5 years
Office equipment	3 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.

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

(stated in Cayman Islands dollars)

### 2. Significant accounting policies (continued)

#### (k) Cash and cash equivalents (continued)

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.

### 3. Fixed assets

	Mission House, Trust house & Visitor's centre	Fixtures & equipment	Vehicles	Iguana captive breeding facility	Total
Cost:					
Balance at beginning of year	618,469	230,397	11,600	184,282	1,044,748
Additions during year	0	1,123	0	0	1,123
Balance at end of year	618,469	231,520	11,600	184,282	1,045,871
Accumulated depreciation:					
Balance at beginning of year	324,766	226,586	10,960	121,915	684,227
Depreciation during year	24,929	4,185	320	18,427	47,861
Balance at end of year	349,695	230,771	11,280	140,342	732,088
Net book value at June 30, 2014	CIS 268,774	750	320	43,940	313,783

The Trust has been at its present location at 558A South Church Street located on Crown land in George Town since July 2006. 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.

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

(stated in Cayman Islands dollars)

### 4. Heritage properties

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	2014
Cost:	
Balance at beginning of year	11,414,043
Purchased additions during the year	125,000
Donated additions during the year	8,640
Balance at year end	CI\$ 11,547,683

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During the year, the Trust purchased land in The Marshes on Cayman Brac with a value of CI\$125,000.

The Trust received donated land located on the Bluff on Cayman Brac valued at CI\$8,640.

As of June 30, 2012, the Trust classifies its Land and Heritage properties as permanently restricted based on whether the land is considered inalienable. Based on this definition, certain heritage properties along with the respective land may be reclassified from unrestricted to permanently restricted, resulting in a transfer through the statement of activities.

At June 30, 2014, the Trust's unrestricted heritage properties comprise:

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	2014
The Mastic Reserve – Grand Cayman	870,000
The Central Mangrove Wetland – Grand Cayman	170,884
Uncle Sammy's Pond – Grand Cayman	315,000
Salt Rocks Trail – Little Cayman	309,960
The Governor Gore Bird Sanctuary – Grand Cayman	223,862
Dr. Roy's Ironshore – Grand Cayman	178,252
Nurse Leila's House – Grand Cayman	142,000
The Marshes – Cayman Brac	125,000
Mahogany Bay – Little Cayman	79,980
The Mass Grave Site – Cayman Brac	66,000
Woodlands – Little Cayman	45,974
Jackson's Wall – Grand Cayman	20,248
Bluff Land – Cayman Brac	8,640
Miss Izzy's Schoolhouse – Grand Cayman	5,000
Balance at year end	CI\$ 2,560,800

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## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

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### 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\$606,785), of which the first tranche of EUR 263,095 (CI\$313,234) was received on July 1, 2010 and a second tranche of EUR 115,952 (CI\$124,359) was received on April 13, 2012.

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. Therefore, as the Trust receives tranches of funds they are initially recorded as a liability on the statement of financial position. As and when the funds are required for related projects, the liability is reversed and all funds attributed to income, and then as they are spent, funds are expensed through the temporarily restricted fund balance. All funds received to date were attributed to income during the year ended June 30, 2012. The current balance of funds remaining as at June 30, 2014 is CI\$26,155 which are classified as temporarily restricted due to the nature of the grant (refer to Note 11).

### 6. Concentration of credit risk

At June 30, 2014 the Trust had its cash and cash equivalents in two financial institutions, 68% 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.

### 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.

Funds received from the EU Grant to date are repayable on demand, should the related expenditure not be in accordance with the terms of the contract.

### 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, 2014, the Trust contributed CI\$21,864 for all employees.

## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

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### 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

The Trust designates certain donations or financed assets as temporarily restricted, which are those earmarked for specific Trust projects or ventures as stipulated by the Donor. If a fundraising event or a donation is earmarked for a project or purpose (i.e. land acquisition) then the income received is allocated to the respective temporary restricted account. This allows the Trust to track amounts that have a designated purpose. Any money disbursed for the related purpose is expensed under the respective programme or support service cost.

However, if a fixed asset is purchased using temporarily restricted funds, the amount transfers to unrestricted. Furthermore, land that has not been declared inalienable is considered unrestricted therefore, any acquisition of land using temporarily restricted funds is recorded as a transfer to unrestricted until the Council passes a resolution to declare the land inalienable where a subsequent transfer from unrestricted to permanently restricted would occur.

At June 30, 2014 the Trust's temporarily restricted funds comprise:

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	2014
Little Cayman	148,108
Species Conservation	131,930
EU Grant Funding	26,155
Land Reserves Fund	63,775
Miss Izzie's Schoolhouse	11,061
Heritage Heroes	10,848
West Bay	10,773
Cayman Brac	10,693
George Town DC	6,324
Eldemire House	5,000
Governor Gore's	4,873
Bodden Town DC	3,489
Wes Emmanuel Fund	3,485
Heritage Beach	2,650
Nurse Leila's House	1,824
North Side DC	1,800
East End DC	1,798
Mastic Trail	1,169
Watler's Cemetery	300
	CI\$ 446,055

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## NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2014

*(stated in Cayman Islands dollars)*

### 12. Permanently restricted net assets

At June 30, 2014, the Trust's heritage properties on which land is declared inalienable comprise:

	2014
The Mastic Reserve – Grand Cayman	2,337,215
The Salina Reserve – Grand Cayman	1,315,440
The Booby Pond Nature Reserve – Little Cayman	1,232,424
The Brac Parrot Reserve – Cayman Brac	1,177,931
The Central Mangrove Wetland – Grand Cayman	847,116
Preston Bay – Little Cayman	800,000
Central Forest Land – Little Cayman	676,500
Eldemire House – Cayman Brac	159,900
Brac Splits – Cayman Brac	200,710
Heritage Beach – Grand Cayman	84,647
The Mission House – Grand Cayman	70,000
The Queen Elizabeth II Park – Grand Cayman	45,000
Fort George – Grand Cayman	30,000
The Bodden Town Guard House – Grand Cayman	10,000
	CI\$ 8,986,883

### 13. Subsequent events

In preparing these financial statements, Management has evaluated and disclosed all material subsequent events up to August 22, 2014, which is the date that the financial statements were issued.