



University College

of the

Cayman Islands

Financial Statements For The Year Ended 30 June 2015

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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University College of the Cayman Islands

Member of the Association of Caribbean Tertiary Institutions

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the University College of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law (2013 Revision), and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2013 Revision), and International Financial Reporting Standards.

As the President, I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the University College of the Cayman Islands.

As President and Chief Financial Officer, we are responsible for the preparation of the University College of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the University College of the Cayman Islands for the financial year ended 30 June 2015.

To the best of our knowledge we represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2015;
- (b) fairly reflect the financial position as at 30th June 2015 and performance for the year ended 30th June 2015;
- (c) comply with the provisions of the Public Management and Finance Law (2013 Revision) and International Financial Reporting Standards.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

A handwritten signature in black ink, appearing to read "Roy Bodden", is written over a horizontal line.

Roy Bodden

President

August 24, 2016

A handwritten signature in blue ink, appearing to read "Ansel Temporal", is written over a horizontal line.

Ansel Temporal

Chief Financial Officer

August 24, 2016

AUDITOR GENERAL'S REPORT

To the Board of Governors of the University College of the Cayman Islands

I have audited the accompanying financial statements of the University College of the Cayman Islands, which comprise the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 27 in accordance with the provisions of section 11(3) of the University College Law (2012 Revision) and Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

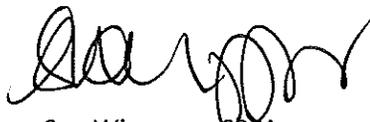
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



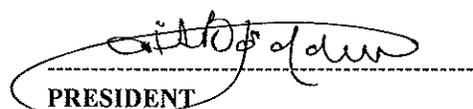
Sue Winspear, CPFA
Auditor General

24 August 2016
Cayman Islands

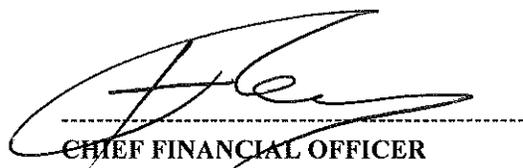
UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015
(Stated in Cayman Islands Dollars)

	NOTE	2015	2014
ASSETS			
Non-Current Assets			
Fixed Assets	2d,3,4	\$5,611,246	\$5,946,112
Intangible Assets	3	12,469	24,939
Total Non-Current Assets		5,623,715	5,971,051
Current Assets			
Unrestricted Cash Balance	6a	1,137,950	124,662
Restricted Cash Balance – Capital Fund	6b	122,591	119,219
Inventory	2e	283,245	339,630
Accounts Receivable	2c,5	280,516	750,460
Prepayments		118,467	93,612
Total Current Assets		1,942,769	1,427,583
TOTAL ASSETS		\$7,566,484	\$7,398,634
EQUITY AND LIABILITIES			
Equity			
Contributed Capital	7	\$6,917,000	\$6,917,000
Capital Fund	8	301,809	301,433
Accumulated Deficit		(1,451,796)	(1,467,577)
Accumulated Other Comprehensive Loss		(185,000)	(183,000)
Total Equity		5,582,013	5,567,856
Current liabilities			
Accounts Payable	9	881,471	792,778
Unfunded Pension Liabilities	12	1,103,000	1,038,000
Total Current Liabilities		1,984,471	1,830,778
TOTAL EQUITY AND LIABILITES		\$7,566,484	\$7,398,634

Approved on behalf of the Board of Governors



 PRESIDENT



 CHIEF FINANCIAL OFFICER

DATE: August 24, 2016

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015
(Stated in Cayman Islands Dollars)

	NOTE	2015	2014
REVENUE			
Government Grant	10	\$4,073,205	\$4,248,542
Tuition Fees		1,939,534	1,809,023
Book and Merchandise Sales		519,214	532,589
Other Income	11	798,216	605,506
Total Revenue		7,330,169	7,195,660
EXPENSES			
Salaries and Wages		4,424,166	4,339,950
Operating Expenses	14	908,342	739,519
Supplies and Materials	15	445,082	470,044
Depreciation	2c, 3	440,759	429,292
Utilities		434,528	424,040
Pension Expense	12	191,669	178,734
Insurance		139,846	147,840
Health Insurance		110,370	102,984
Travel and Subsistence		109,373	173,735
Brac Campus Expenses		72,000	72,000
Loan Interest and Bank Charges		19,615	30,304
Foreign Exchange (Gain) / Loss	2f	(1,534)	51,097
Disposal of Assets (Gain) / Loss		(1,550)	-
Bad Debts		21,722	34,586
Total Expenses		7,314,388	7,194,125
Net Surplus for the Year		15,781	1,535
Other comprehensive loss:			
Re-measurement of defined benefit pension	12	(2,000)	(119,000)
Total Comprehensive Income / (Loss) for the Year		13,781	(\$117,465)

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015
(Stated in Cayman Islands Dollars)

	Capital Fund	Contributed Capital	Accumulated Deficit	Accumulated Other Comprehens- ive Loss	Total
Balance as at 1 July 2013	\$301,057	\$4,490,682	(\$1,469,112)	(\$64,000)	\$3,258,627
Interest Earned on Capital Fund Balance	376	-	-	-	376
Government Capital Injection	-	2,426,318	-	-	2,426,318
Net Surplus for the year	-	-	1,535	-	1,535
Other comprehensive loss for the year	-	-	-	(119,000)	(119,000)
Balance as at June 30, 2014	301,433	6,917,000	(1,467,577)	(183,000)	5,567,856
Interest Earned on Capital Fund Balance	376	-	-	-	376
Net Surplus for the Year	-	-	15,781	-	15,781
Other comprehensive loss for the year	-	-	-	(2,000)	(2,000)
Balance as at June 30, 2015	\$301,809	\$6,917,000	(\$1,451,796)	(\$185,000)	\$5,582,013

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015
(Stated in Cayman Islands Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus for the Year	\$ 15,781	\$ 1,535
Adjustment to Reconcile Net Surplus for the Year to Net Cash Provided by Operating Activities:		
Depreciation	440,759	429,292
Unrealised Gain on Foreign Currency translation	-	51,097
Realised Gain on sale of Fixed Assets	(1,550)	-
Non-cash interest expense	-	9,769
Defined benefit pension cost charged to surplus	63,000	57,000
Operating Profit before Working Capital Changes	1,108,157	548,693
Net Changes in Non-Cash Working Capital Balances Related to Operations:		
Decrease / (Increase) in Accounts Receivable	469,944	(144,045)
(Increase) in Prepayments	(24,855)	(49,674)
Decrease / (Increase) in Inventory	56,385	(94,656)
Increase / (Decrease) in Accounts Payable	88,693	(109,918)
Net Cash Generated from Operations	2,211,157	150,400
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(94,873)	(429,338)
Sale of Fixed Assets	3,000	-
Net Cash Used In Investing Activity	(91,873)	(429,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Received on Capital Fund Balance	376	376
Net Cash Provided by (Used in) Financing Activities	(376)	376
Net Increase/(Decrease) in Cash and Cash equivalents	1,016,660	(278,562)
Cash and Cash Equivalents at Beginning of Year	243,881	522,443
Cash and Cash Equivalents at End of Year	1,260,541	243,881

Cash and cash equivalents reported above is comprised of the following items presented in the statement of financial position:

Unrestricted Cash Balance	1,137,950	124,662
Restricted Cash Balance – Capital Fund	122,591	119,219
	1,260,541	243,881

The accompanying notes form an integral part of these financial statements

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

1. ESTABLISHMENT AND PRINCIPAL ACTIVITY

The University College of the Cayman Islands (the “University College”) is a corporate body established under the University College Law (2012 Revision). The University College is wholly-owned by the Cayman Islands Government (the “Government” or “CIG”) and its principal activity is to provide full and part-time education, training, and education services, including teaching and research relevant to the needs of the Islands.

The University College is located at 168 Olympic Way, P.O. Box 702, Grand Cayman KY1-1107, Cayman Islands, B.W.I.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB. The significant accounting policies adopted by the University College are as follows:

a. Changes in International Financial Reporting Standards

Standards issued but not yet effective up to the date of issuance of the University College’s financial statements are listed below. This listing of standards and interpretations issued are those that the University College reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University College intends to adopt these standards when they become effective.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the ‘third balance sheet’) must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. This standard does not have an impact on the University College’s financial statements.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Changes in International Financial Reporting Standards (continued)

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the University College, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard does not have an impact on the University College's financial statements.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the University College is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the financial statement.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Changes in International Financial Reporting Standards (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the University College.

b. Basis of Accounting

The financial statements of the University College are prepared on the accruals basis under the historical cost convention, except for inventory (see note 2e) and unfunded pension liability (note 12).

International Financial Reporting Standards requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the unfunded pension liability, potential impairment of assets and rates for depreciation. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period and in any future periods that are affected by those revisions.

c. Bad Debt Provisions & Write Offs

Management uses a balance sheet approach for estimating a general provision for bad debt each year. More specifically, all positive balances aged over 90 days at year end are provided for in full. Specific account balances are written off each year against the general provision if after a detail review of the account activity and internal discussions on the probability of payment being received, the amount is determined to be uncollectible.

d. Fixed assets and Depreciation

Fixed assets are recorded at cost and with the exception of freehold land, are depreciated using the straight line method estimated to write-off the cost of the assets over their expected useful lives as follows:

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Fixed assets and Depreciation (continued)

<u>Item</u>	<u>Useful Life</u>
Buildings	40 years
Furniture and Equipment	5 – 10 years
Computers	3 years
Vehicles/Other Intangibles	4 years
Library Books	2 – 8 years

e. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2015, which is purchased by the University College for resale to students. They are valued at the lower of cost and net realizable value on a first-in, first-out basis.

f. Foreign Currency Translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the financial position date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the time of these transactions. Gains and losses on exchange are included in the Statement of Comprehensive Income.

g. Defined Contribution Pension

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

h. Defined Benefit Pension

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Defined Benefit Pension (Continued)

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognised immediately in the statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

i. Revenue Recognition

- i. Income from contracts and for services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.
- ii. Donations received are recognized immediately as income in the fiscal year received if:
 - a) All conditions necessary for use of these resources have been met by the University College and/or,
 - b) In situations where specific use has been determined by the donor, the University College has purview on the timing of the use of resources donated once the provisions of (a) above have already been met as necessary.

j. Comparative figures

The presentations of the prior year corresponding figures are restated to ensure consistency with the current period unless it is impracticable to do so.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Construction In Progress	Furniture & Equipment	Vehicles	Computers	Other Intangible Assets	Library Books	Total
Cost:									
At 01 July 2014	\$273,090	\$9,780,802	\$-	\$1,395,802	\$15,085	\$1,254,798	\$49,879	\$412,648	\$13,182,104
Additions	-	5,773	-	28,619	-	59,836	-	645	94,873
disposal	-	-	-	-	(5,800)	-	-	-	(5,800)
At 30 June 2015	273,090	9,786,575	-	1,424,421	9,285	1,314,634	49,879	413,293	13,271,177
Accumulated Depreciation:									
At 01 July 2014	-	4,535,526	-	1,076,813	12,185	1,150,476	24,940	411,113	7,211,053
Depreciation	-	244,640	-	94,679	1,450	86,636	12,470	884	440,759
Disposal	-	-	-	-	(4,350)	-	-	-	(4,350)
At 30 June 2015	-	4,780,166	-	1,171,492	9,285	1,237,112	37,410	411,997	7,647,462
Net Book Value:									
At 30 June 2015	\$273,090	\$5,006,409	\$-	\$252,929	\$-	\$77,522	\$12,469	\$1,296	\$5,623,715

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS (continued)

Description	Freehold Land	Buildings	Construction In Progress	Furniture & Equipment	Vehicles	Computers	Other Intangible Assets	Library Books	Total
Cost:									
At 01 July 2013	\$273,090	\$9,546,228	\$138,176	\$1,126,661	\$15,085	\$1,190,999	\$49,879	\$412,648	\$12,752,766
Additions	-	234,574	(138,176)	269,141	-	63,799	-	-	429,338
At 30 June 2014	273,090	9,780,802	-	1,395,802	15,085	1,254,798	49,879	412,648	13,182,104
Accumulated Depreciation:									
At 01 July 2013	-	4,291,331	-	996,727	10,735	1,062,005	12,470	408,493	6,781,761
Depreciation	-	244,195	-	80,086	1,450	88,471	12,470	2,620	429,292
At 30 June 2014	-	4,535,526	-	1,076,813	12,185	1,150,476	24,940	411,113	7,211,053
Net Book Value:									
At 30 June 2014	\$273,090	\$5,245,276	\$-	\$318,989	\$2,900	\$104,322	\$24,939	\$1,535	\$5,971,051

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

4. FREEHOLD LAND

The Government acquired 15.8 acres of land for the construction of the University College through compulsory acquisition in 1988 and 1995. The property, consisting of land and buildings, is vested with the University College of the Cayman Islands and is registered in the institution's name. The cost of land has been classified as Contributed Capital (See Note 7).

5. ACCOUNTS RECEIVABLE

	<u>30.06.15</u>	<u>30.06.14</u>
Trade Receivable		
Tuition	\$332,386	\$282,189
Government Bodies	242,599	740,206
Staff Advances	4,241	608
	579,226	1,023,003
Less: Provision for Bad Debts (Bals. > 90days)	(298,710)	(272,543)
Total	\$280,516	\$750,460

	<u>30.06.15</u>	<u>30.06.14</u>
Movement in Bad Debt Provision		
Opening Balance	\$272,543	\$233,356
Bad Debts Written Off:	-	-
Provision for Bad Debts	26,167	39,187
Closing Balance	\$298,710	\$272,543

**Ageing of Trade
Receivables at 30
June 2015**

	<u>Current</u>	<u>31-60</u>	<u>61-90</u>	<u>> 90 Days</u>	<u>Total</u>
Tuition Fees	\$844	\$26,945	\$2,360	\$302,237	\$332,386
Staff Advances	4,241	-	-	-	4,241
Total Third Party Receivables	5,085	26,945	2,360	302,237	336,627
Government Bodies	114,028	167	86,813	41,591	242,599
Total	\$119,113	\$27,112	\$89,173	\$343,828	579,226

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2015
(Stated in Cayman Islands Dollars)

6. BANK BALANCES

- a) Unrestricted Cash Balance: Represents the University College's current account and fixed deposit balances, whose use is not restricted for any specific purpose and/or for which the timing and nature of its use is determinable solely at the discretion of the Board of Governors.

<u>Account Type</u>	<u>30.06.15</u>	<u>30.06.14</u>
Operating Accounts:		
Current Account - \$C.I.	\$828,222	(\$190,402)
Current Account - \$U.S	2,494	9,156
Cashiers' Float	5,425	4,475
Total Operating Funds	836,141	(176,771)
Funds Held in Fixed Deposits:		
Capital Fund	301,809	301,433
Total Fixed Deposits - \$C.I.	301,809	301,433
Total Unrestricted Cash Balances	\$1,137,950	\$124,662

- b) Restricted Cash Balance: This represents the balance of funds donated by third parties for specific academic or capital projects to be undertaken by the University College.

Restricted Balances	<u>30.06.15</u>	<u>30.06.14</u>
Ironwood Trust Scholarship	\$19,963	\$19,961
FAMU/UCCI Student Exchange	15,531	15,530
Donated Funds – Scholarship & Science	87,097	83,728
Total Restricted Cash Balances	122,591	119,219

7. CONTRIBUTED CAPITAL

The University College's Contributed Capital represents cumulative funds donated by the Cayman Islands Government and Private Sector Interests as shown below.

<u>Cayman Islands Government</u>	<u>30.06.15</u>	<u>30.06.14</u>
Capital Injection	\$1,132,609	\$1,132,609
Equity Injection to Fund Post Ivan Recovery	200,000	200,000
For the continuation of the College's Building programme	1,250,990	1,250,990
For the purchase of land	264,585	264,585
For the Capital works programme carried out by PWD during 1994	24,904	24,904
For the development of a playfield for the College	80,000	80,000
For the construction of the multi-purpose Hall/Hurricane Shelter	1,250,000	1,250,000
For Capital Items related to The UCCI School of Nursing	240,740	240,740
Long Term Loan Debt Forgiveness (Cabinet Approved)	2,426,318	2,426,318
	6,870,146	6,870,146
Private Sector	46,854	46,854
Total	\$6,917,000	\$6,917,000

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8. CAPITAL FUND

This represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College. Interest of \$376 (2014: \$375) was received on these funds.

	<u>30.06.15</u>	<u>30.06.14</u>
Fund Balance	<u>\$301,809</u>	<u>\$301,433</u>

9. ACCOUNTS PAYABLE

	<u>30.06.15</u>	<u>30.06.14</u>
Government Bodies	\$ 3,016	\$ -
Accrued Vacation and Gratuity	386,759	252,581
Trade Payables	116,327	173,312
Credit Balances in Accounts Receivable	208,180	189,083
Scholarship Clearing	74,841	74,841
Accrued Wages	10,810	38,804
Audit Fees Provisions	44,070	45,000
Other Provisions and Accruals	37,468	19,157
TOTAL ACCOUNTS PAYABLE	<u>\$881,471</u>	<u>\$792,778</u>

10. GOVERNMENT GRANT

During the year the Cayman Islands Government's Grant to the University College of the Cayman Islands was \$4,073,205 (2014: \$4,248,542). To continue as a going concern the University College will require annual assistance from the Government for the foreseeable future. This Grant is based on expected performance of the University College during the current year.

11. OTHER INCOME

Description	<u>30.06.15</u>	<u>30.06.14</u>
Miscellaneous Receipts	\$158,350	\$209,682
Civil Service College	106,950	131,250
Donations	85,728	116,363
Dept. of Tourism/SOHS/TATP	347,250	109,142
Rental Income	91,947	32,176
Examination Fees	7,985	6,882
Interest Income	6	11
Total	<u>\$798,216</u>	<u>\$605,506</u>

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12. PENSIONS

The University College carried three separate classes of pension contributions for an average of just over fifty (50) employees during the year ended 30 June 2015. IAS 19R became effective January 1, 2013. For the University College, adoption of IAS 19R is mandatory for fiscal year ending June 30, 2014. Upon transitioning to IAS 19R in prior year, there was an adjustment to the prior year statement of financial position of \$165,000. All unamortized gains and losses and past service costs under IAS 19 are immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment-related will be recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R. This differs from the approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under **International Financial Reporting Interpretation Committee (IFRIC) 14 – *The Limit on A Defined Benefit Asset, Minimum Funding Requirements and their Interaction***. The expected return on assets assumption continues to be management best estimate.

Public Service Pensions Fund – Defined Benefits

The Public Service Pensions Law, 1999 (Law 6 of 1999) re-organised existing public service pension provisions into separate defined benefit and defined contribution schemes with effect from January 1, 2000. Only employees who were enrolled in the former public service pension scheme at that date were permitted to join the revised defined benefit scheme. The cut-off date for admission to the defined benefit scheme was extended to 31 December 1999. None of the currently employees are active participants at 30 June 2015. At year-end however, there are former employees under this plan: four are deferred and one has transferred. Deferred former employees are those whose defined benefits have already vested and do not actively contribute to the Fund, and the transferred employee remains to be an active member of Plan and is employed in another participating public sector entity.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to University College by the Public Service Pensions Board (“PSPB”) and are recognised as an expense in the period incurred. The University College is also required to make payments to the plan to fund benefits accruing in respect of past service (the “past service funding liability”).

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and reported to the University College by the Pensions Board.

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The University College recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. The most recent provisional actuarial estimate was performed as of June 30, 2015 by the PSPB indicated a plan deficit attributable to the University College of CI\$1,103,000 (2014: CI\$1,038,000). The University College has engaged the PSPB and the new Actuaries, Mercer, in discussions concerning the basis appropriateness of the calculation of the defined benefit liability and basis on which the obligation was assigned to the entity.

Information about the characteristics of its defined benefit plans

All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

Pension Expense and Reconciliation of Defined Pension Liability

	<u>30.06.15</u>	<u>30.06.14</u>
	CI\$(000)	CI\$(000)
Provision at the beginning of the year	1,038	862
Pension expense for the year	65	176
Employer Contributions	-	-
Provision at end of year	<u>1,103</u>	<u>1,038</u>
Reconciliation of Funded Status:		
Company's share of Defined Benefit Obligation	298	286
Less: Fair Value of Plan Assets (Negative)	(805)	(752)
Defined benefit liability	<u>1,103</u>	<u>1,038</u>
Components of Defined Benefit Cost for the year:		
Current Service Cost	16	12
Total Net Interest Cost	47	45
Administrative Expenses and Taxes	-	-
Defined benefit cost included in P&L	63	57
Remeasurement Included in Other Comprehensive Income (OCI):		
Demographic Assumptions Change	(1)	-
Discount Rate Change	(16)	38
Plan Experience	-	-
Return on Plan Asset (Excluding Interest)	19	81
Total remeasurement included in OCI	2	119
Pension Expense for the year	<u>65</u>	<u>176</u>

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12. PENSIONS (continued)

The change in fair value of plan assets is as follows:

	<u>30.06.15</u>	<u>30.06.14</u>
	\$000	\$000
Fair value of plan assets at beginning of year (negative)	(752)	(638)
Interest income	(34)	(33)
Cash flows		
Employer and participant contributions	-	-
Benefit payments from plan	-	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	(19)	(81)
Fair value of plan assets at end of year (negative)	(805)	(752)

The defined benefit liability reconciliation is as follows:

	<u>30.06.15</u>	<u>30.06.14</u>
	\$000	\$000
Defined benefit obligation at beginning of year	286	224
Current service cost	16	12
Interest expense	13	12
Effect of changes in demographic assumptions	(1)	-
Effect of changes in financial assumptions	(16)	38
Effect of changes in experience adjustments	-	-
Cash flows – employer contributions	-	-
Defined benefit obligation at end of year	298	286

The sensitivity analysis on defined benefit obligation is shown below:

	<u>30.06.15</u>	<u>30.06.14</u>
1. Discount rate		
a. Discount rate - 25 basis points	314	301
b. Discount rate + 25 basis points	284	272
2. Inflation rate		
a. Inflation rate - 25 basis points	284	273
b. Inflation rate + 25 basis points	314	300
3. Mortality		
a. Mortality - 10% of current rates	304	291
b. Mortality +10% of current rates	293	282

The University College classified the Unfunded Pension Liability as a current liability for the year ended 30 June 2015 (same as in 2014).

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12. PENSIONS (continued)

The expected cash flow for the following year is as follows:

	Amount (\$000)
Expected employer contributions	Nil

The significant actuarial assumptions are presented below:

<i>Weighted-average assumptions to determine benefit obligations</i>	<u>30.06.15</u>	<u>30.06.14</u>
1. Discount rate	4.75%	4.50%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	RP-2014 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

<i>Weighted-average assumptions to determine defined benefit cost</i>	<u>30.06.15</u>	<u>30.06.14</u>
1. Discount rate	4.50%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund (“the Fund”) and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Similar internal accounting is used for developing each participating entity’s share of the asset portfolio of the Fund.

The valuations are based on the draft financial statements as at 30 June 2015 as well as asset value as at 30 June 2015 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

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12. PENSIONS (continued)

Plan Assets (continued)

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 30 June 2015, the Fund was invested as follows:

Plan Assets by Asset Category	30.06.15		30.06.14	
	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	411,606	80%	381,162	79%
Debt securities	97,807	19%	95,602	20%
Real estate / Infrastructure	-	-	-	-%
Cash	6,312	1%	6,871	1%
Total	515,725	100%	483,635	100%

Normally, at year-end the share of the Fund that been notionally allocated to the University College with regards to its participation in the Defined Benefit Part of the Plan is disclosed. However, PSPB has determined that the University College owes the Fund \$805,000 as at 30 June 2015 (2014: owes the Fund \$752,000).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at 30 June 2015 and 30 June 2014 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	30.06.2015	30.06.2014
Discount rate		
- BOY disclosure and current year expense	4.50% per year	5.20% per year
- EOY disclosure and following year expense	4.75% per year	4.50% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year

Measurement Date	30.06.2015	30.06.2014
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year

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12. PENSIONS (continued)

The Actuarial Assumptions (continued)

Measurement Date	30.06.2015	30.06.2014
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using Scale MP-2014	UP-94 generationally projected using Scale BB
Disability	None	None
Turnover Rates	Age and gender based rates. See table below.	Age and gender based rates. See table below.
Retirement		
Assumed life expectations on retirement	Retiring today (member age 32) 30.12 Retiring in 25 years (at age 57): 32.40	Retiring today (member age 57) 29.93 Retiring in 25 years (at age 57): 32.43
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

12. PENSIONS (continued)

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There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the January 1, 2014 funding valuation of the Plan.

The discount rate as at 30 June 2015 and 30 June 2014 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.

Defined Contributions

Fifty-four (54) employees were on different Defined Contribution Plans during the year ended 30 June 2015. The total amount recognised, as a pension expense during the year was \$191,669 (2014: \$178,734).

Employees

13. RELATED PARTY TRANSACTIONS

- a) The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for the year was \$45,000 (2014: \$45,000).
- b) As disclosed in Note 11, the University College is dependent on an annual grant from the Cayman Islands Government. The University College also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects.
- c) The University College allows full time members of staff to be paid additional compensation for lecturing duties done outside of normal working hours or above the required base teaching load. Payments are made based on contact hours at a predetermined rate.
- d) Emoluments Paid to Key Management Personnel during the year amounted to \$924,713 (2014: \$464,198), inclusive of pension benefits in the amount of \$22,741 (2014: \$10,682).

13. RELATED PARTY TRANSACTIONS (continued)

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- e) At year end one staff members had outstanding balances totaling \$608 relating computer purchases made through the University College. This balance was subsequently settled.
- f) Members of the University College's Board of Governors receive no remuneration for their services.
- g) The University College provides vocational and tertiary educational services through its School of Hospitality Studies and Civil Service College to the Ministry of Tourism/Department of Tourism and the Portfolio of the Civil Service respectively. The value of services billed under these Memoranda of Agreement is shown in Note 13. During the year the University College also entered into a room rental agreement with the Ministry of Education, Training & Employment under its Passport 2 Success program. The value of the contract is \$51,000 per annum, included in the Rental Income account.

14. OPERATING EXPENSES

Expense Description	<u>30.06.15</u>	<u>30.06.14</u>
Maintenance of Buildings & Grounds	\$178,835	\$117,003
Janitorial Services	107,180	108,723
Security Services	92,982	85,017
Software Fees	65,435	64,831
Printing & Stationery	49,233	34,431
Audit Fees	45,000	45,000
Advertising, Promotion and Public Relations	49,172	35,076
Maintenance of Equipment	67,676	41,340
Hospitality	41,978	27,204
Miscellaneous	5,298	2,979
Courier, Postage and Delivery Services	19,672	30,719
External Exam Expenses	65,515	69,254
Subscriptions	18,028	15,069
Student Activities, Awards and Graduation	10,953	13,070
Legal & Professional Fees	21,562	13,077
Consultancy Fees	61,378	20,956
Training And Staff Development	5,438	12,413
Publications & Distribution Expenses	1,877	-
Pandemix Steel Band	1,130	3,357
Total Operating Expenses	<u>\$908,342</u>	<u>\$739,519</u>

15. SUPPLIES AND MATERIALS

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Cost of sales of book and merchandise sales

Included in Supplies and Materials are the cost related to the revenue recognised from sales of books and merchandise that amount to:

<u>Description</u>	<u>30.06.15</u>	<u>30.06.14</u>
Inventory Items Expensed	\$356,390	\$388,691

Supplies and materials for own use

During the year educational materials held in stock, text books predominantly, were issued to members of faculty at no charge for use in the delivery of teaching services. These are expensed under the heading of supplies and material in the Statement of Comprehensive Income.

<u>Description</u>	<u>30.06.15</u>	<u>30.06.14</u>
Inventory Items Expensed	\$13,183	\$26,461

16. COMMITMENTS

As at 30 June 2015 the College had the following commitments relating to a 5-year commercial lease entered into with Garston Grant and Hedy Grant in August 2013 for the housing of the Cayman Brac Campus of the University College:

Lease Obligations for the next 12 months	\$72,000
Lease Obligations for 2-5 years	\$210,000

17. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2015 the following methods and assumptions were used by management to estimate the fair value of each financial instrument:

a) Bank Balances

The carrying amount approximates fair value.

b) Accounts Receivable, Other Receivables, Accounts Payable, and Other Payables

18. FINANCIAL INSTRUMENTS (continued)

The above items are substantially short term and do not bear interest. As such, their carrying amount approximates their fair value.

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Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

ii. Credit Risk

Financial assets that potentially subject the University College to credit risk consist principally of current and fixed deposits, accounts and interest receivable, and other receivables and prepayments. The University College's current and fixed deposits are placed with high credit quality institutions.

Credit risk with respect to accounts and interest receivable and other receivables and prepayments is limited because the University College only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. Accordingly, the University College has no significant concentrations of credit risk.

iii. Interest rate risk

The University College deposits are at fixed interest rates. The ranges of interest rates and period of maturity are 0.04% to 0.25% and 30 to 32 days, respectively.

iv. Liquidity risk

Liquidity risk relates to the University College's ability to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the University College to meet its debts and obligations is dependent upon its ability to collect the debts outstanding in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances required it to obtain funding from Government to temporarily fund any shortfalls, the University College would have with its own cash flows. As at 30 June 2015 and 2014, all of the financial liabilities were due within three months of the year end dates.

19. SUBSEQUENT EVENTS

There are no subsequent events that materially affected these financial statements for 30 June 2015.