

Financial Statements of

**NATIONAL TRUST FOR THE CAYMAN
ISLANDS**

June 30, 2012

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, 2012, 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. This revenue is stated at CI\$140,869 as unrestricted 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, 2012, 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 convention designed to conserve the environment.

KPMG

September 20, 2012

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Financial Position

June 30, 2012

(stated in Cayman Islands dollars)

	Note	2012
Assets		
<i>Current assets</i>		
Cash and cash equivalents:		
Unrestricted (includes time deposit: CI\$75,126)		373,703
Restricted (includes time deposit: CI\$171,700)		1,013,907
Accounts and other receivables		1,568
Inventory		47,560
Prepaid expenses		97,388
		<hr/> 1,534,126
<i>Non-current assets</i>		
Fixed assets	3	408,008
Heritage properties	4,12	9,678,139
		<hr/> 10,086,147
Total assets		<hr/> CI\$ 11,620,273
Liabilities		
Accounts payable and accrued expenses		8,224
Total liabilities		<hr/> CI\$ 8,224
Net assets		<hr/> CI\$ 11,612,049
Net assets comprise:		
Unrestricted		3,943,183
Temporarily restricted	11	1,013,907
Permanently restricted	12	6,654,959
		<hr/> CI\$ 11,612,049

See accompanying notes to financial statements.

Approved on behalf of the Council on September 20, 2012

CARLA REID

Chairman

PETER ANDERSON

Executive Member

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Activities

Year ended June 30, 2012

(stated in Cayman Islands dollars)

	Unrestricted	Temporarily Restricted*	Permanently Restricted***	Total
Revenue and support from operations				
Donations, donated goods and services	140,869	284,623	1,180,000	1,605,492
Government grants	237,877			237,877
EU Grant**		124,359		124,359
Fundraising events	62,834	8,189		71,023
Tours	17,910	25,145		43,055
Product sales to public	16,142	8,248		24,390
Membership dues – individuals	9,978	790		10,768
Membership dues – corporate	6,200	650		6,850
Interest income	578	14		592
	492,388	452,018	1,180,000	2,124,406
Programme service expenses				
Environmental preservation	140,225	78,979		219,204
Historic preservation	137,572	25,114		162,686
Educational programmes	19,552			19,552
	297,349	104,093		401,442
Support service expenses				
Operating and administration	206,026	11,809		217,835
Depreciation of fixed assets	50,286			50,286
Cost of fundraising events	33,187	431		33,618
Pension	14,675			14,675
	304,174	12,240		316,414
Increase / (decrease) in fund balances for year	(109,135)	335,685	1,180,000	1,406,550
Fund balances at beginning of year	1,041,143	717,731	8,148,979	9,907,853
Net transfer from temporarily restricted funds*	337,155	(337,155)		-
Reclassification of EU Grant as temporarily restricted funds, net of foreign exchange gain**		297,646		297,646
Net transfer from permanently restricted funds***	2,674,020		(2,674,020)	-
Fund balances at end of year	CI\$ 3,943,183	1,013,907	6,654,959	11,612,049

* See Note 11.

** See Note 5.

*** See Notes 4 and 12.

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Statement of Cash Flows

Year ended June 30, 2012

(stated in Cayman Islands dollars)

	2012
Cash provided by/(applied in):	
Operating activities	
Increase in fund balances for year	1,406,550
Add/(deduct):	
Items not requiring the use of cash:	
Depreciation	50,286
Land donated to the Trust	(1,180,000)
Foreign exchange gain on EU Grant funding	(15,588)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts and other receivables	11,444
Prepaid expenses	(2,384)
Inventory	(912)
Accounts payable and accrued expenses	1,583
	<hr/> 270,979
Cash flows from investing activities	
Purchase of land	(349,160)
Purchase of fixed assets	(11,430)
	<hr/> (360,590)
Decrease in cash and cash equivalents during year	<hr/> (89,611)
Cash and cash equivalents at beginning of year	1,477,221
Cash and cash equivalents at end of year	<hr/> CI\$ 1,387,610 <hr/>

See accompanying notes to financial statements.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements

Year ended June 30, 2012

(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 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 9 employees at June 30, 2012.

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, 2012

(stated in Cayman Islands dollars)

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.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(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
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.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(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	218,967	11,600	184,282	1,033,318
Additions during year	-	11,430	-	-	11,430
Balance at end of year	618,469	230,397	11,600	184,282	1,044,748
Accumulated depreciation:					
Balance at beginning of year	274,908	218,167	8,320	85,059	586,454
Depreciation during year	24,929	4,609	2,320	18,428	50,286
Balance at end of year	299,837	222,776	10,640	103,487	636,740
Net book value at June 30, 2012 CI\$	318,632	7,621	960	80,795	408,008

In conformance with ASC 958, the Trust reclassified the Mission House buildings as a fixed asset depreciated by the straight line method over an estimated useful life of 20 years. The reclassification of the Mission House buildings from a temporarily restricted net asset to a depreciable fixed asset occurred at June 30, 2011.

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.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

4. Heritage properties

	2012
Cost:	
Balance at beginning of year	8,148,979
Purchased additions during the year	318,000
Donated additions during the year	1,211,160
Balance at year end	CI\$ 9,678,139

During the year, the Trust purchased land in the Salina Reserve with a value of CI\$318,000. The Trust also received donated land located in North Side for the Mastic Reserve valued at CI\$1,180,000 and land in Salt Rocks in Little Cayman valued at CI\$31,160.

In prior years all land and heritage properties owned by the Trust were classified as permanently restricted. However, during the year ended June 30, 2012, the Trust revisited the classification based on whether the land was considered inalienable. Based on this definition, certain heritage properties along with the respective land were reclassified from permanently restricted to unrestricted, resulting in a transfer through the statement of activities.

At June 30, 2012, the Trust's unrestricted heritage properties comprise:

	2012
The Mastic Reserve – Grand Cayman	924,000
The Central Mangrove Wetland – Grand Cayman	744,884
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 Mass Grave Site – Cayman Brac	66,000
Mahogany Bay – Little Cayman	48,000
Woodlands – Little Cayman	45,974
Jackson's Wall – Grand Cayman	20,248
Miss Izzy's Schoolhouse – Grand Cayman	5,000
Balance at year end	CI\$ 3,023,180

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

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. The Trust has initially recorded the first tranche of funds received as a liability on the statement of financial position. Subsequent to the previous year end, as funds began to be spent on related projects, the liability was reversed and all funds attributed to income, and the funds spent expensed through the temporarily restricted fund balance.

6. Concentration of credit risk

At June 30, 2012 the Trust had its cash and cash equivalents in two financial institutions, 57% 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, 2012, the Trust contributed CI\$14,675 for all employees.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

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, 2012 the Trust's temporarily restricted funds comprise:

	2012
Little Cayman	416,262
Land Reserves Fund	193,215
EU Grant Funding	191,392
Species Conservation	100,705
Fort George	41,839
West Bay	21,228
Eldemire House	16,317
Cayman Brac	13,625
Mastic Trail	7,400
Governor Gore's	5,673
Heritage Beach	3,150
Nurse Leila's House	1,824
Guard House Hill	977
Watler's Cemetery	300
	CI\$ 1,013,907

NATIONAL TRUST FOR THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

Year ended June 30, 2012

(stated in Cayman Islands dollars)

12. Permanently restricted net assets

At June 30, 2012, the Trust's heritage properties on which land is declared inalienable comprise:

	2012
The Mastic Reserve – Grand Cayman	2,194,181
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	273,116
Eldemire House – Cayman Brac	159,900
Heritage Beach – Grand Cayman	84,647
The Mission House – Grand Cayman	70,000
Brac Splits – Cayman Brac	62,320
The Queen Elizabeth II Park – Grand Cayman	45,000
Fort George – Grand Cayman	30,000
The Bodden Town Guard House – Grand Cayman	10,000
	<hr/>
	CI\$ 6,654,959

13. Subsequent events

On September 4, 2012, the Trust closed on the purchase of the Preston Bay Iguana Nesting Site valued at CI\$ 800,000. The date of registration is to be determined.