

Financial Statements of

NATIONAL GALLERY OF THE CAYMAN ISLANDS

June 30, 2010

NATIONAL GALLERY OF THE CAYMAN ISLANDS

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National Gallery of the Cayman Islands
Financial Statements
June 30, 2010

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Except for the non-compliance under Section 4 relating to the use of International Public Sector Accounting Standards ("IPSAS") and Section 52 regarding the timing of the submission of the annual financial statements to the Legislative Assembly, these financial statements have been prepared by the National Gallery of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Law (2005 Revision)*.

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 (2005 Revision)*.

As members of the Management Board, we are responsible for establishing; and have established and maintain 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 National Gallery of the Cayman Islands.

As members of the Management Board, we are responsible for the preparation of the National Gallery of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position and statements of financial performance, of changes in fund balances and of cash flows for the financial year ended June 30, 2010.

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

- (a) completely and reliably reflect the financial transactions of National Gallery of the Cayman Islands for the year ended June 30, 2010;
- (b) fairly reflect the financial position as at June 30, 2010 and performance for the year ended June 30, 2010;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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 and its agent has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

MARTYN BOULD

Board Member
National Gallery of the Cayman Islands

Date: May 3, 2012

ARTHUR DZAGHGOUNI

Treasurer
National Gallery of the Cayman Islands

Date: May 3, 2012

Auditor General's Report

To the Board of Directors of the National Gallery of the Cayman Islands

I have audited the accompanying financial statements of the National Gallery of the Cayman Islands (the "Gallery"), which comprise the statement of financial position as at June 30, 2010, and the statements of financial performance, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 20 in accordance with the Section 60(a) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility 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.

Auditors' Responsibility

My 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 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 Gallery'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 Gallery'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 we have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion. In rendering my qualified audit opinion on the financial statements of the Gallery, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Auditor General's Report

To the Board of Directors of the National Gallery of the Cayman Islands (continued)

Basis for Qualified Opinion

In common with many non-profit oriented organizations, the Gallery derives a significant portion of its cash receipts from various sources, the completeness which is not susceptible to independent audit verification. Accordingly, our verification of such cash receipts was limited to the amounts recorded in the records of the Gallery and we were not able to determine whether any adjustments might be necessary to cash receipts from funding and donations, the increase in cash and cash equivalents for the year ended June 30, 2010, opening cash as at July 1, 2009 and closing cash as at June 30, 2010.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Gallery as at June 30, 2010 and its financial performance and its cash flows for the year ended June 30, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, we noted that the Gallery did not comply with the requirements of the *Public Management and Finance Law (2005 Revision)* under the following sections:

- Section 4: The financial statements are to be prepared in accordance with International Public Sector Accounting Standards ("IPSAS"). These financial statements are prepared in accordance with International Financial Reporting Standards. No assessment has been made to determine if significant differences in presentation or disclosures exist if these financial statements had been prepared in accordance with IPSAS.
- Section 52: Annual financial statements are to be prepared, submitted to the Auditor General for auditing, and included in an annual report that is required to be presented to the Legislative Assembly four months and two weeks after the end of the financial year. The Gallery's reporting of its financial information to the Legislative Assembly was not in the timeframe or format required to be in compliance with the Law.

No adjustments are made in these financial statements as a result of this non-compliance with the *Public Management and Finance Law (2005 Revision)*.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

May 3, 2012
Cayman Islands

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Financial Position

June 30, 2010

(stated in Cayman Islands dollars)

	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents	4	1,817,103	1,659,589
Restricted fixed deposits	5	322,429	319,538
Accounts receivable		94,581	128,656
Prepaid expenses		14,756	3,577
Interest receivable		754	1,096
Inventory		0	771
		2,249,623	2,113,227
Property, Plant and Equipment	6	231,488	223,811
Total assets		CI\$ 2,481,111	2,337,038
Current liabilities			
Accounts payable		2,156	6,620
Fund balances			
Unrestricted general fund		566,025	448,788
Restricted building fund		1,912,930	1,881,630
		2,478,955	2,330,418
Total liabilities and fund balances		CI\$ 2,481,111	2,337,038

See accompanying notes to financial statements.

Approved on behalf of the Board on May 3, 2012

ARTHUR DZAGHGOUNI

Treasurer

MARTYN BOULD

Board Member

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Financial Performance

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	Note	2010	2009
Revenue and support from operations			
Donations		84,197	101,983
Gallery gift shop income		109	9,860
Fundraising and training income		0	102,665
Events and exhibitions income		0	1,440
		84,306	215,948
Other income			
Government grants	2, 3(c)	481,000	416,004
Membership fees		12,610	31,143
Miscellaneous		6,136	0
		499,746	447,147
Total revenue		584,052	663,095
Expenditure			
Administrative expenses	9	326,740	435,521
Facility expenses		65,779	80,557
Program expenses		63,127	79,200
Exhibitions expense		28,437	32,703
Other operating expenses		1,712	4,842
		485,795	632,823
Net income from unrestricted general fund		98,257	30,272
Gallery building			
Donations	8	46,585	37,643
Interest income		3,695	20,277
Net income from restricted building fund		50,280	57,920
Increase in fund balances for year	CI\$	148,537	88,192

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Changes in Fund Balances

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	Note	Restricted building fund	Unrestricted general fund	Total
Balance at June 30, 2008		1,847,545	394,681	2,242,226
Net income from unrestricted general fund for year		0	30,272	30,272
Net income from restricted building fund		57,920	0	57,920
Transfers from restricted building fund		(23,835)	23,835	0
Balance at June 30, 2009		1,881,630	448,788	2,330,418
Net income from unrestricted general fund for year		0	98,257	98,257
Net income from restricted building fund		50,280	0	50,280
Transfers from restricted building fund	6	(18,980)	18,980	0
Balance at June 30, 2010	CI\$	1,912,930	566,025	2,478,955

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Cash Flows

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	Note	2010	2009
Cash provided by/(applied in):			
Operating activities			
Movement in fund balances:			
Increase in fund balances for year		148,537	88,192
Add/deduct:			
Items not involving the movement of cash:			
Depreciation	6	11,303	15,319
Inventory write off		771	0
Net changes in non-cash operating balances:			
Decrease in accounts receivable		34,075	139,886
Decrease in interest receivable		342	2,849
(Increase)/Decrease in prepaid expenses		(11,179)	231
(Decrease)/Increase in accounts payable		(4,464)	1,677
		179,385	248,154
Investing activities			
Proceeds from maturity of fixed deposits		0	457,788
Purchase of fixed deposits		0	(463,835)
Interest earned on restricted funds		(2,891)	0
Purchase of property, plant and equipment	6	(18,980)	(24,595)
		(21,871)	(30,642)
Increase in cash and cash equivalents for year		157,514	217,512
Cash and cash equivalents at beginning of year		1,659,589	1,442,077
Cash and cash equivalents at end of year	CI\$	1,817,103	1,659,589
Supplementary information on cash flows from operating activities			
Interest received	CI\$	4,037	23,126

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

1. Background information

The National Gallery of the Cayman Islands (the "Gallery") was established on April 23, 1999 in accordance with the National Gallery Law. Prior to this date, the Gallery operated as an unincorporated entity.

The Gallery through its Management Board, acquires artworks and collects materials to be held in trust for the purpose of preserving them for posterity and promoting their usefulness in the development of the arts, exhibition, research and education for the public benefit.

Through organising and maintaining permanent and temporary public exhibitions of works of art, the Gallery promotes and encourages the awareness, appreciation and practice of the visual arts in the Cayman Islands.

The property of the Gallery is vested in up to four trustees appointed by the Governor in Cabinet, up to two of whom may also be members of the Management Board.

As at June 30, 2010, the Gallery had 6 employees (2009: 6 employees). The Gallery is located at P.O. Box 10197, Harbour Place, Grand Cayman KY1-1002, Cayman Islands.

2. Going concern

The Gallery receives public and private grants and donations to fund its operating expenses. During the year ended June 30, 2010, the Gallery received income grants totalling CI\$481,000 (2009: CI\$416,004) from the Government of the Cayman Islands. At June 30, 2010, CI\$94,001 (2009: CI\$104,002) is included in accounts receivable at that date. The amount was received in full subsequent to the year end.

In addition to these grants, donations of funds, goods and services from private enterprises and the general public enable the Gallery to continue in operation. Funding shortfalls could therefore lead to a reduction in the number of workshops, programmes and exhibitions. However, due to a healthy, grassroots operative policy, the Gallery management and staff have enabled the continuous growth of the organisation. Even in the current economic climate the Gallery has managed to continue over twenty five (2009: thirty) programmes by enacting policies such as the outsourcing of the instruction of a number of visual arts workshops and revamping the format of a few other programmes.

Under the going concern concept, the financial statements of the Gallery will be prepared on the going concern basis, unless it is inappropriate to assume that the Gallery will continue in operation. Accordingly, while the Gallery does rely on grants and donations to sustain its operations and this reliance will continue into the future, these financial statements are prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of reported asset amounts and classification of liabilities.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies adopted by the Gallery are as follows:

(a) Basis of preparation

These financial statements are presented in Cayman Islands dollars and are prepared on the historic cost basis, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Recognition of revenue

Revenue is recognised when earned by the Gallery, which usually coincides with the date received.

(c) Government grants

Government grants are received for financial support on a quarterly basis and are recorded when they become receivable.

(d) Donations

Donations are recorded when they are received, unless specifically intended for a certain fiscal year.

(e) Interest income

Interest income is recorded on an accruals basis.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(f) *Property, plant and equipment*

Property, plant and equipment is recorded at cost and depreciated on a straight line basis over the terms of their useful economic lives.

Computer systems and hardware	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Workshop equipment	5 years
Motor vehicles	5 years

Donated property, plant and equipment are valued at their estimated fair market value. Costs of construction in progress are not depreciated until such time as the building is completed and placed into service.

(g) *Cash and cash equivalents*

For the purposes of the statements of cash flows, cash and cash equivalents include cash at bank and short term deposits with original maturities of three months or less and including short term restricted amounts for specific projects (Note 5).

(h) *Inventory*

Inventory is valued at the lower of net realisable value or cost using the specific identification method for their individual costs. Inventory is recorded net of an allowance for obsolete and slow moving items. Any change in the allowance for obsolescence is reflected in the statement of financial performance in the period of change.

(i) *Restricted building fund*

The restricted building fund has been set aside for the development of a new Gallery building. Funds raised for the development of the new Gallery building cannot be used for any other purpose.

(j) *Foreign exchange*

The Gallery may conduct transactions or hold financial instruments in either Cayman Islands dollars or U.S. dollars. As the Cayman Islands dollar is fixed to the U.S. dollar, no currency losses or gains are recognised. The Cayman Islands dollar to U.S. dollar exchange rate adopted by the Company is CI\$0.82:US\$1.00.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(k) Financial instruments

(i) Classification

The Gallery has no investment securities only cash and cash equivalents and the fixed deposits.

(ii) Recognition

The Gallery recognises financial assets or liabilities on the date it commits to purchase the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recorded in the statement of financial performance.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs. For financial assets acquired, cost is the fair value of the consideration given. For financial liabilities, cost is the fair value of the consideration received. Transaction costs included in the initial measurement are those incremental costs arising on the initial purchase of the investment. Subsequent to initial recognition all trading instruments are measured at fair value.

(iv) Fair value measurement principles

The fair values of financial instruments other than cash and cash equivalents are based on the quoted market prices at the statement of financial position dates without any deduction for estimated future selling costs.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognised in the statements of financial performance.

(l) Collections and exhibits

Consistent with the practice followed by many galleries, collections and exhibits purchased and donated are not included in the statement of financial position. The cost of all objects purchased are recorded as an expense in the statements of financial performance. Objects acquired by gift or donations are not recorded in these financial statements since it is difficult to obtain an objective measurement or valuation.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(l) Collections and exhibits (continued)

The Gallery has the following works of art in its permanent collection which are not reflected herein:

Reference	Type	Name	Estimated Value	
			2010	2009
1001	Painting	Ching Ching	800	400
1002	Painting	Picking Breadfruit	800	400
1003	Painting	Two Worlds (at least)	400	200
1004	Painting	Madman's Wife	400	200
1005	Painting	Carnival Dancers	450	150
1006	Painting	Yarmouth Hill	650	650
1007	Painting	Poinciana Trees at Government House	3,500	3,500
1008	Painting	Elijah and the Mantle	5,000	5,000
1009	Painting	Balam, the Ass	5,000	5,000
1010	Print	The World Praying for Peach	1,200	1,200
1011	Painting	Iguana	6,000	6,000
1012	Painting	Mangroves	5,000	5,000
1013	Lithograph	Silenciosa	-	98
1014	Lithograph	Obidiente	-	98
1015	Lithograph	Passiva	500	250
1016	Painting	Untitled	4,000	1,250
1017	Painting	The Reef Painting – Study #4	2,000	300
1018	Painting	Fathoms #14	1,000	4,000
1020	Print	A/P	900	200
1021	Painting	Sheep and Chickens in Stable Interior	10,000	20,000
1022	Painting	The Path	2,500	750
1024	Painting	Pedro's Bluff	1,200	750
1025	Print	P/C 1/9	150	150
1027	Painting	Ponciana Tree	1,250	1,250
1028	Print	Asta su Abuelo	2,000	2,000
1029	Print	Village of Stowe, Vermont	50	250
1030	Painting	Among Friends #2	6,000	3,000
1031	Multimedia	Tattooed Dancer	800	800
1033 (A)	Multimedia	Sculptures	300	300
1033 (B)	Multimedia	Sculptures	-	300
1033 (C)	Multimedia	Sculptures	300	300
Carried forward			62,150	63,746

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(l) Collections and exhibits (continued)

Reference	Type	Name	Estimated Value	
			2010	2009
Brought forward			62,150	63,746
1036	Drawing	Couple	500	-
1037	Drawing	Egg	500	-
1038	Drawing	Homenaje a Maillol	500	-
1039	Print	Untitled	50	50
1040	Print	Untitled	50	50
1041	Print	Untitled	50	50
1042	Print	Gold On Black	50	50
1043	Print	Untitled	125	125
1044	Print	Untitled	50	50
1045	Print	Sosabravo	175	175
1046	Print	Clioco	200	200
1047	Print	Mi casa	75	75
1048	Multimedia	Untitled	-	150
1049	Multimedia	Untitled	300	300
1050	Print	Suppression of Expression	400	200
1051	Print	Catboats	400	200
1052	Print	Untitled	400	200
1053	Print	Home Sweet Home	-	200
1054	Poster	Keith Haring <i>Art Attack on AIDS</i>	-	200
1055	Poster	Keith Haring <i>Ignorance = Fear</i>	200	200
1056	Facsimile	Leonardo da Vinci	10,000	10,000
1057	Painting	Kings II	10,000	10,000
1058	Painting	Nickola McCoy	1,200	600
1059	Painting	Watd & Bending <i>Ghosts of War</i>	500	500
1060	Sculpture	Karoly Szucs <i>That Morning</i>	2,000	2,000
1061	Painting	Nasaria Suckoo Chollette <i>Sweet Ladu</i>	2,000	2,000
1062	Painting	Yasenyev <i>Lady with a Tray</i>	300	-
1063	Painting	Yasenyev <i>Three Palms</i>	300	-
1064	Watercolour	Bending <i>Peaceful Palms</i>	995	995
1065	Watercolour	Clifford <i>Silver Thatch</i>	750	750
1066	Watercolour	Walker <i>Boggy Sand Road</i>	800	800
1067	Watercolour	Sibley <i>A Quiet Beach with Boats</i>	600	600
Carried forward			95,620	94,466

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(l) Collections and exhibits (continued)

Reference	Type	Name	Estimated Value	
			2010	2009
Brought forward			95,620	94,466
1068	Watercolour	Brezinski <i>George Town Harbour</i>	425	425
1069	Watercolour	Griggs <i>Untitled II</i>	85	85
1070	Watercolour	Brezinski <i>Pines on the Beach</i>	675	675
1071/2	Watercolour	Mann <i>Red Mangroves I & II</i>	2,250	1,000
1073	Watercolour	Sibley <i>Dorothy Bush's Home</i>	850	1,250
1074	Watercolour	Sibley <i>Fishermen</i>	1,200	850
1075	Watercolour	Bridgeman <i>Structures</i>	240	240
1076	Painting	Lasley	1,000	-
1077	Painting	Powery	200	-
1078	Painting	Rain Gauge	3,500	-
1079	Mixed media	Zoe Blout <i>Starry, starry night</i>	2,000	600
1080	Painting	The Women Have The Truth	2,400	-
1081	Quilt	Love Quilt	2,000	-
1082	Multimedia	Danseurs	1,000	1,000
1082	Multimedia	Bossa 1	800	800
1082	Multimedia	Bossa 2	800	800
1083	Sculpture	AI Ebanks <i>Figure of Woman #2</i>	1,000	-
1084	Painting	Caymanian House	800	-
1085	Painting	Art At The Governor's	1,000	-
1086	Acrylic	The Kings of Satwa	1,500	-
1087	Acrylic	Warriors of time	1,500	-
1088	Acrylic	Casting Nets	1,500	-
1090	Painting	Harold's Picky Head Boy	3,000	-
1094	Drawing	General Portfolio of Academic Art	-	-
1096	Painting	Mitche Miller & His Thing	3,000	-
1098	Print	Time is At Hand	150	-
1100	Video	21 st Century Cayman Documentary	800	-
Total estimated value			CI\$ 129,295	102,191

The estimated values of the art works are determined by the staff director as the current market value at the most recent valuation on July 11, 2011 the value was estimated at the values shown above. This is considered to be reflective of the values as at the year end.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(m) Donated services

A substantial number of unpaid volunteers make significant contributions of their time to develop the Gallery's programs. The auditors, PricewaterhouseCoopers, have waived their fees for the audit of these financial statements. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

4. Cash and cash equivalents

	2010	2009
Current accounts	628,850	472,987
Short-term fixed deposits	1,188,253	1,186,602
	CI\$ 1,817,103	1,659,589

A portion of the cash and cash equivalents and fixed deposits (note 5) are restricted for the building fund purposes only.

	2010	2009
Unrestricted	109,429	99,622
Restricted	2,030,103	1,879,505
	CI\$ 2,139,532	1,979,127

5. Restricted long term fixed deposits

The value of the restricted long term fixed deposits consists of funds that will be used for the purpose of building a new Gallery.

June 30, 2010

Rollover date	November 4, 2010	February 4, 2011
Interest rate	0.3250%	0.5250%
Currency	CI\$	US\$
Amount	140,017	222,114

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

5. Restricted long term fixed deposits (continued)

June 30, 2009

Rollover date	November 4, 2009	February 4, 2010
Interest rate	0.3750%	1.1875%
Currency	CI\$	CI\$
Amount	139,493	180,045

6. Property, plant and Equipment

	Computer Hardware	Furniture & Fixtures	Office Furniture	Workshop Equipment	Building construction in progress	Motor vehicle*	Total	
Cost								
Balance at beginning of the year	26,371	40,282	12,790	21,845	202,660	9,000	312,948	
Additions	0	0	0	0	18,980	0	18,980	
Dispositions	(5,011)	(16,943)	(2,050)	(6,784)	0	0	(30,788)	
Balance at June 30, 2010	21,360	23,339	10,740	15,061	221,640	9,000	301,140	
Depreciation								
Balance at beginning of the year	22,520	37,304	8,913	15,000	0	5,400	89,137	
Dispositions	(5,011)	(16,943)	(2,050)	(6,784)	0	0	(30,788)	
Charge for year	2,675	1,224	2,148	3,456	0	1,800	11,303	
Balance at June 30, 2010	20,184	21,585	9,011	11,672	0	7,200	69,652	
Net book value								
June 30, 2010	CI\$	1,176	1,754	1,729	3,389	221,640	1,800	231,488
Net book value								
June 30, 2009	CI\$	3,851	2,978	3,877	6,845	202,660	3,600	223,811

*Note, the Gallery owns two additional motor vehicles which are valued at zero net book value which are not included within the property, plant and equipment breakdown noted above.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

7. Donated land

During the year ended December 31, 1998, a parcel of land was donated to a trust for a period of 80 years, for the exclusive use of the Gallery and for a National Art Gallery to be built upon. The property is not to be subdivided or combined with the surrounding land, and will at all times be held by the trustees, as separate and apart from the adjacent lots. The land which was valued at CI\$445,561 (US\$543,367) as at May 25, 2001 is not reflected in these financial statements.

8. Donations

During the year ended June 30, 2010, the Gallery received CI\$46,585 (2009: CI\$37,643) from private donors for its Gallery construction program. During the year ended June 30, 2010 the Gallery received a donation in-kind for the use of a motor vehicle for a 2 year period. This is not reflected in the financial statements.

9. Administrative expenses

Administrative expenses comprise the following:

	2010	2009
Staff costs	281,041	351,895
Office supplies	12,521	10,291
Motor expenses	11,303	10,904
Professional fees	9,471	10,396
Printing and promotional costs	4,646	39,865
Computer repairs and maintenance	4,168	0
Miscellaneous	2,721	9,928
Postage and courier	869	2,242
	CI\$ 326,740	435,521

The Gallery participates in the Silver Thatch Pension Plan (the "Plan"), a defined contribution pension plan, in accordance with the provisions of the Cayman Islands National Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. Contributions in the amount of CI\$13,022 (2009: CI\$15,991) were made to the Plan during the year and are included in staff costs above.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

10. Financial instruments and associated risks

The Gallery's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risk to which the Gallery is exposed are market risk and credit risk. Market risk includes interest rate risk and currency risk.

The nature and extent of the financial instruments outstanding at the statement of financial position dates are discussed in notes 4 and 5. The risks associated with these instruments and the risk management techniques employed by the Gallery's are discussed below.

(a) Fair values

Fair value amounts represent estimates of the consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price.

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and interest receivable approximate their fair values due to the short term nature of these assets.

(b) Market and credit risk

Market risk is the risk that changes in interest rates and foreign exchange rates will make an instrument less valuable or more onerous. Fixed deposits are recognised at fair value.

The Management Board does not believe the Gallery to be exposed to any material market risk.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Gallery.

The amount of credit exposure is represented by the carrying amounts of the assets on the statement of financial position. Substantially all financial instruments held by the Gallery are held with one major international financial institution in the Cayman Islands. The Gallery is subject to credit risk to the extent that this institution may be unable to fulfil its obligations to repay amounts owed.

(c) Currency risk

The Gallery invests only in US\$ and CI\$ denominated fixed deposits. As the Cayman Islands dollar is fixed to the US dollar, the Gallery is not exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Gallery's assets or liabilities denominated in currencies other than the Cayman Islands dollars.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

11. Commitment

Effective July 1, 2002 the Gallery entered into a three year lease in respect of its primary premises, with an annual rental expense of CI\$25,200. This lease was extended on the same terms for another 3 years on July 1, 2005. Effective July 1, 2009 the lease is now on a month to month basis on the same terms until December 31st 2011.

In January 2010, the Gallery entered into an annual lease with Cayman National Cultural Foundation for an Education Centre facility, with an annual rental expenses of \$12,000. Given project delays, this became effective in July 2010. Effective July 1, 2011 the lease will continue on a month to month basis on the same terms until December 31st 2011.

On December 16, 2005, the Gallery entered into a contract for the design development and project management of the new Gallery building. The contract guarantees a maximum monthly fee of CI\$7,500 for the duration of the contract. There is currently no set duration for the contract as they will not proceed with the construction of the Gallery until funds have been raised; it is an open-ended contract. At June 30, 2010 the entire project had a total budget of CI\$2.5 million.

On March 25th 2010, the Gallery entered into a letter of agreement, in advance of the official contract, with KM Limited to the sum of CI\$2,130,000 for the construction of the new Gallery building, having received approval from the Central Tenders Committee. Project works began in November 2010 with an anticipated 42 week completion timeline.

12. Related parties

The Government of the Cayman Islands, the trustees appointed by the Governor in Cabinet and the members of the Management Board are considered related parties. Also, certain expenses are borne by staff or volunteers and are reimbursed by the Gallery.

Key management of the Gallery consists solely of the Gallery Director. The compensation paid to the Director for employee services was CI\$72,720.

13. Contingent liabilities

As of June 30, 2010 the Gallery has no quantifiable or non-quantifiable contingent liabilities.

14. Subsequent events

After an extensive capital campaign which began in 1998, construction is almost complete on the new National Gallery building and the 9,000 sq. ft. facility is scheduled to open to the public in early 2012. The Gallery is located on four acres adjacent to the Esterly Tibbetts Bypass, on land held in Trust for the organisation. The new development addresses urgent needs in terms of the Gallery's infrastructure by providing a new permanent gallery for the National Art Collection, increased exhibition space, a state-of-the-art learning centre and art studio, an auditorium, community gardens, and an administration area. The accessible facilities have been designed to enhance the visitor experience as well as increasing access to, and the appreciation of, Caymanian visual arts.

As part of the National Gallery's long-term strategic plan, a retail shop, café and multi-purpose events space have also been incorporated into the design to broaden the uses of the site and to help generate revenue

Funding for the project is nearing completion. \$2.5 million of the total has already been raised, with 95% of these funds having come from the private sector and contributions from the Cayman Islands Government.