

Financial Statements of the

CAYMAN ISLANDS NATIONAL MUSEUM

For the years ended June 30, 2014

CAYMAN ISLANDS NATIONAL MUSEUM

Table of Contents

	Page
Statement of Responsibility for the Financial Statements	1
Auditor General's Report	2-3
Statements of Financial Position	4
Statements of Financial Performance	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8-21

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Cayman Islands National Museum in accordance with the provisions of the *Public Management and Finance Law (2013 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 (2013 Revision)*.

As Chairman and Director, we are 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 Cayman Islands National Museum.

As Chairman and Director we are responsible for the preparation of the Cayman Islands National Museum's financial statements and for the judgements made in them.

The financial statements fairly present the financial position (except for property, plant and equipment), financial performance (except for the completeness of revenue), changes in equity and cash flows for the financial year ended June 30, 2014.

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

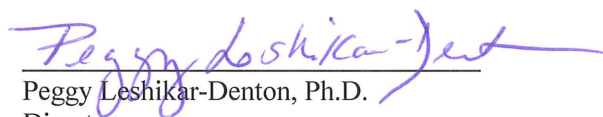
- (a) are complete and reliably reflect the financial transactions of the Cayman Islands National Museum for the year ended June 30, 2014;
- (b) fairly reflect the financial position as at June 30, 2014 and performance for the year ended June 30, 2014;
- (c) comply with International Public Sector Accounting Standards (IPSAS).

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.



Alfonso Wright
Chairman
Cayman Islands National Museum

Date: 26 JUNE 2015



Peggy Leshikar-Denton, Ph.D.
Director
Cayman Islands National Museum

Date: 26 june 2015

Auditor General's Report

To the Board of Control and Trustees of the Cayman Islands National Museum

In accordance with section 60(1)(a)(ii) of the Public Management and Finance Law (2013 Revision) we have audited the accompanying financial statements of Cayman Islands National Museum Limited (the "Museum"), which comprise the statement of financial position as at June 30, 2014 and the statements of financial performance, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting 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 our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 Museum'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 we have obtained is sufficient and appropriate to provide a basis for my qualified opinion. In rendering my qualified opinion on the financial statements of the Museum, 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 (continued)

To the Board of Control and Trustees of the Cayman Islands National Museum (continued)

Bases for Qualified Opinion

During the period ended June 30, 2012, the Museum changed the system that maintained the property, plant and equipment register and this resulted in a material adjustment to accumulated depreciation and accumulated surplus. The audit reports on the financial statements for the period ended June 30, 2012 and year ended June 30, 2013, included a qualification in respect of this matter. We were unable to form an opinion on the accuracy of this adjustment or the property, plant and equipment recorded in the statement of financial position as at June 30, 2014 and the related impact that this would have on the accumulated surplus and equity of the Museum as at June 30, 2014.

In common with many non-profit oriented organizations, the Museum derives a portion of its cash receipts from various sources, the completeness of 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 Museum and we were not able to determine whether any adjustments might be necessary to cash receipts from fundraising income and donations, the increase in cash and cash equivalents for the year ended June 30, 2014, opening cash as at July 1, 2013 and closing cash as at June 30, 2014. In addition, the audit report on the financial statements for the year ended June 30, 2013 included a qualification in respect of the same matter.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the bases for qualified opinion paragraphs above, the financial statements present fairly, in all material respects, the financial position of the Museum as at June 30, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Emphasis of Matter

We draw attention to note 1, which discloses that the Museum is dependent upon the financial support of the Cayman Islands Government to enable it to meet to meet its obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Museum's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.



Alastair Swarbrick, MA(Hons), CPFA, CFE
Auditor General

June 26, 2015
Cayman Islands

CAYMAN ISLANDS NATIONAL MUSEUM

Statements of Financial Performance

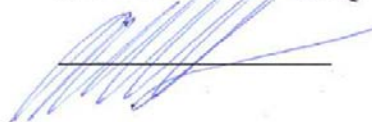
For the years ended June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2013 Actual	Note	2014 Actual	2014 Budget	Variance
Assets				
Current assets				
322,780	Cash and cash equivalents 3,14	268,183	620,063	(351,880)
10,299	Accounts receivable	225,434	244,592	(19,158)
33,281	Deposits and prepaid expenses	33,405	21,327	12,078
77,101	Inventories 4,14	53,528	104,324	(50,796)
443,461	Total current assets	580,550	990,306	(409,756)
Non-current assets				
2,482,590	Property, plant and equipment 5,14	2,303,695	2,535,931	(232,236)
-	Collections, exhibits and artefacts 1,2	-	-	-
2,482,590	Total non-current assets	2,303,695	2,535,931	(232,236)
2,926,051	Total assets	CI\$ 2,884,245	3,526,237	(641,992)
Liabilities and equity				
Current liabilities				
190,864	Accounts payable and accrued liabilities	144,562	138,765	5,797
190,864	Total current liabilities	144,562	138,765	5,797
Equity				
1,414,296	Accumulated surplus 14	1,419,513	1,786,571	(367,058)
88,521	Restricted funds 6	87,800	88,521	(721)
200,000	Contingency reserve 7	200,000	200,000	-
1,032,370	Contributed capital 14	1,032,370	1,312,380	(280,010)
2,735,187	Total equity	2,739,683	3,387,472	(647,789)
2,926,051	Total liabilities and equity	CI\$ 2,884,245	3,526,237	(641,992)

See accompanying notes to financial statements.

Approved on behalf of the Board of Control on June 26, 2015:

 Chairperson
 Treasurer

CAYMAN ISLANDS NATIONAL MUSEUM

Statements of Financial Performance

For the years ended June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2013			2014	2014	
Actual		Note	Actual	Budget	Variance
Revenue					
620,527	Government grants and contributions	8	887,173	887,173	-
91,761	Product sales	9	90,537	91,000	(463)
39,762	Admissions		39,680	50,000	(10,320)
22,500	Rental income		19,000	18,000	1,000
-	Miscellaneous income		16,226	-	16,226
9,344	Membership dues		8,005	-	8,005
11,270	Fundraising income and donations	14	4,124	57,000	(52,876)
115	Interest income		321	120	201
795,279	Total revenue		1,065,066	1,103,293	(38,227)
Expense					
466,648	Staff costs	9,10,11	464,002	456,350	7,652
206,286	Depreciation	5,14	184,920	206,286	(21,366)
182,353	Facility expenses	9,14	168,300	150,675	17,625
99,704	Rent expenses	14	115,181	98,852	16,329
136,013	Administration and other expenses	14	76,457	116,130	(39,673)
75,277	Cost of goods sold	14	50,989	75,000	(24,011)
1,166,281	Total expense		1,059,849	1,103,293	(43,444)
Restricted funds					
(114)	Expenditure	6	(721)	-	(721)
(371,116)	Net surplus/(deficit) for the year	CI\$	4,496	-	4,496

See accompanying notes to financial statements.

CAYMAN ISLANDS NATIONAL MUSEUM

Statements of Changes in Equity

For the years ended June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

	Accumulated Surplus	Contingency Reserve (Note 7)	Restricted Funds (Note 6)	Contributed Capital	Total
Balance at June 30, 2012	1,785,298	200,000	88,635	876,125	2,950,058
Net deficit for the year	(371,116)	-	-	-	(371,116)
Contributed capital	-	-	-	156,245	156,245
Transfer to accumulated surplus from restricted funds	114	-	(114)	-	-
Balance at June 30, 2013	1,414,296	200,000	88,521	1,032,370	2,735,187
Net surplus for the year	4,496	-	-	-	4,496
Transfer to accumulated surplus from restricted funds	721	-	(721)	-	-
Balance at June 30, 2014	CI\$ 1,419,513	200,000	87,800	1,032,370	2,739,683

See accompanying notes to financial statements.

CAYMAN ISLANDS NATIONAL MUSEUM

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

	Note	2014 Actual	2013 Actual
Cash provided by/(used in):			
Operating activities			
Net surplus/(deficit) for the year		4,496	(371,116)
Adjustment for items not involving cash:			
Depreciation	5	184,920	206,286
Net changes in operating assets and liabilities:			
Accounts receivable		(215,135)	447
Deposits and prepaid expenses		(124)	31,810
Inventories		23,573	1,094
Accounts payable and accrued liabilities		(46,302)	(62,257)
Cash used in operating activities		(48,572)	(193,736)
Investing activity			
Purchase of property, plant and equipment	5	(6,025)	(29,131)
Cash used in investing activity		(6,025)	(29,131)
Financing activity			
Contributed capital		-	156,245
Cash provided by financing activity		-	156,245
Net decrease in cash and cash equivalents		(54,597)	(66,622)
Cash and cash equivalents at beginning of year		322,780	389,402
Cash and cash equivalents at end of year	CIS	268,183	322,780

See accompanying notes to financial statements.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

1. Background information

The Cayman Islands National Museum (the “Museum”) was established on May 3, 1979 by enactment of the Museum Law, 1979. Its purpose is to establish for posterity a collection of material evidence concerning man and his environment, with primary but not exclusive reference to the Cayman Islands, and to arouse public interest in Caymanian heritage and, through proper use of the collection, to increase knowledge and appreciation of, and respect for Caymanian heritage.

The Museum holds a collection in excess of 8,600 (2013: 7,500) artefacts that have been donated, transferred, purchased or found, with the majority being donations. Artefacts are documented in the Museum’s Accession Register, and are used in research or are held in exhibition for public service. The research collections (those that are not on exhibit at the Museum) are kept at the Museum Support Facility in an environmentally controlled vault for preservation. The Museum also operates a gift shop and leases a space to a third party, which operates a cafe.

The Museum is funded primarily by an annual grant from the Cayman Islands Government (the “Government”) through the Ministry of Home Affairs, Health and Culture (formerly the Ministry of Health, Sports, Youth and Culture) (the “Ministry”). The Museum would not be able to continue as a going concern without ongoing support from the Government and as a result the Museum is economically dependent on the Government.

2. Significant accounting policies

(a) Reporting periods

The financial statements presented are for the year ended June 30, 2014 with comparable information for the financial year ended June 30, 2013.

(b) Basis of preparation

In compliance with the *Public Management and Finance Law (2013 Revision)* these financial statements, for the year ended June 30, 2014, are the first the Museum has prepared in accordance with International Public Sector Accounting Standards (“IPSAS”). For periods up to and including the year ended June 30, 2013, the Museum prepared its financial statements in accordance with International Financial Reporting Standards (“IFRS”).

As outlined in Note 1, the continued existence of the Museum is contingent on the ongoing support from the Government. As management consider that this support will be ongoing and there are no indications which suggest otherwise, management consider the preparation of the financial statements under the going concern assumption to be appropriate.

These financial statements are presented in Cayman Islands Dollars (“CI\$”), which is the Museum’s functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

The measurement base applied to these financial statements is the historical cost basis.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(c) *First time adoption of International Public Sector Accounting Standards*

The Museum has prepared financial statements which comply with IPSAS applicable for periods ending on or after June 30, 2014, together with comparative period data as at and for the year ended June 30, 2013. In preparing these financial statements, the Museum's opening statement of financial position was prepared as at July 1, 2013, the Museum's date of transition to IPSAS.

While there were no changes to the measurement or recognition requirements for the Museum as a result of this transition, additional disclosure is required.

Reporting of budget to actual

With the increased focus on stewardship, service delivery and budget management in the public sector, IPSAS requires a comparison of actual financial performance of an entity with the approved budget of the entity, where the budget is publically available. There are no equivalent requirements in IFRS.

Heritage assets

IPSAS 17 Property, Plant and Equipment provides optional recognition of heritage assets. Artefacts are considered to be heritage assets.

Exchange traded transactions and non-exchange traded transactions

Non-exchange traded transactions are those transactions where an entity either receives from another entity without directly giving approximately equal value in exchange, or gives value to an entity without directly receiving approximately equal value in exchange. IPSAS provides principles to guide the measurement of recognition of non-exchange transactions, whereas IFRS is generally silent on the matter. Government grants received are considered to be non-exchange traded transactions.

Impairment of non-cash generating assets

In light of assets recognised based purely on service potential, as opposed to economic benefit, IPSAS also provides guidance for impairment considerations for non-cash generating assets.

(d) *Use of estimates*

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, relate to management's assessment of whether an impairment provision is required in respect of property, plant and equipment (Note 5) and whether an impairment provision is required in respect of inventory (Note 4).

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(e) New and revised standards and interpretations that are not yet effective

Certain new, revised and amended standards and interpretations were issued during the current financial year that are not yet effective. No material impact on the financial statements is anticipated as a result of these amendments.

(f) Cash and cash equivalents

The Museum considers all cash and short-term deposits with a maturity of three months or less to be cash or cash equivalents.

(g) Accounts receivable

Accounts receivable are measured at cost less any allowance for doubtful accounts.

The allowance for doubtful accounts is calculated using specific identification by management for accounts which are long overdue.

(h) Inventories

Inventories consist of products sold in the Museum shop and are valued on an average cost basis less an allowance for obsolete and slow moving items.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

Depreciation is charged to write off the cost of the asset over their estimated useful life, using the straight-line method.

Useful lives are as follows:

Computer hardware and software	3-5 years
Furniture, fittings & equipment	5-8 years
Leasehold improvements	3-30 years
Permanent exhibits	30 years
Vehicles	5 years

Cost comprises the purchase price of an asset and any directly attributable costs of bringing the asset to working condition for its intended use such as import duties, initial delivery and storage cost.

Repairs and maintenance are charged to expenses as incurred.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(j) Income recognition

Income on the sale of goods is recognized in the statement of financial performance at the point of the sale. Rental income, interest and other income are recognized on an accruals basis. Income earned from admissions, membership dues, fundraising, and donations are recorded in the period in which the payment is received.

(k) Government grants

Government grants are recognised and accrued for on a quarterly basis. Certain grants cover staff costs and related expenditures of the Museum. Grant income and expenditures are recorded gross in the financial statements.

(l) Foreign currency translation

Transactions during the year and assets and liabilities at the statement of financial position dates denominated in United States dollars are translated into Cayman Islands dollars at a fixed rate of US\$1.00 = CI\$0.82. Gains and losses on foreign currencies, if any, are included in administration and other expenses.

(m) Collections, Exhibits and Artefacts

Consistent with the practice followed by many museums, collections, exhibits and artefacts purchased and donated are not recorded in the statement of financial position. The costs of all objects purchased are recorded as an expense in the statement 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 of these items.

(n) Contributed services

During the course of the period covered by these financial statements, unpaid volunteers make significant contributions of their time and resources to support the Museum's activities. The value of these contributions is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

(o) Financial assets and liabilities

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Recognition

The Museum recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in financial liabilities measured at amortised cost are recognised in the statement of financial performance.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(o) *Financial assets and liabilities (continued)*

(ii) *Recognition (continued)*

Financial assets comprise cash and cash equivalents, accounts receivable and deposits. Financial liabilities comprise accounts payable and accrued liabilities. Management determines the classification of its financial assets and liabilities at initial recognition.

(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, while for financial liabilities cost is the fair value of consideration received.

(iv) *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Museum has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. At June 30, 2014 and 2013, there were no assets or liabilities reported on a net basis.

(v) *Impairment*

A financial asset is impaired if there is objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. All impairment losses are recognised in the statement of financial performance.

(vi) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Museum has transferred all the risks and rewards of ownership. A financial liability is derecognised when it is discharged, cancelled or expires.

(vii) *Fair value*

The fair value of financial instruments approximates their carrying value principally due to the short-term nature of such instruments.

(p) *Restricted funds*

Restricted funds are derived from gifts, grants, and contracts received by the Museum for operating purposes but restricted by donors, grantors, and outside agencies as to the specific purpose for which the funds may be expended. As these funds have traditionally not been reimbursable, and the Museum does not consider there to be a legal or constructive obligation to do so, they form a part of the Museum's equity position as reflected on the statement of financial position. Contributions that are restricted for specific purposes by the donor must be used as intended and cannot fund other activities or general operations without the proper consent of the original donor.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(q) Operating leases

Operating lease payments are recognised as an expense in the statement of financial performance on a straight line basis over the lease term.

(r) Budget amounts

The budget amounts for the financial year are presented in the 2013/14 Ownership Agreement and approved by the Minister of Health, Sports, Youth and Culture.

3. Cash and cash equivalents

	2014	2013
Cash	58,753	113,431
Fixed deposits	209,430	209,349
	CI\$ 268,183	322,780

Included in cash and cash equivalents are restricted funds of CI\$87,800 (2013: CI\$88,521) which may only be used as described in Notes 2(p) and 6.

4. Inventories

	2014	2013
Inventory at average cost	53,528	102,556
Less: provision for slow moving items	-	(25,455)
	CI\$ 53,528	77,101

Movement in inventory provision

The movement in the provision for slow moving items during the years ending June 30, 2014 and 2013 is summarised as follows:

	2014	2013
Inventory provision at beginning of year	-	(25,455)
Inventory written off	-	25,455
Increase in provision	-	-
Inventory provision at end of year	CI\$ -	-

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

5. Property, plant and equipment

As at June 30, 2014 and 2013, property, plant and equipment consisted of the following:

2014	Furniture, fixtures & equipment	Computer hardware & software	Leasehold improvements	Permanent exhibits	Vehicles	Total
Cost:						
Balance at beginning of year	386,844	125,916	2,200,885	442,804	24,900	3,181,349
Additions	-	6,025	-	-	-	6,025
Balance at end of year	386,844	131,941	2,200,885	442,804	24,900	3,187,374
Accumulated depreciation:						
Balance at beginning of year	(221,285)	(88,490)	(319,680)	(44,404)	(24,900)	(698,759)
Depreciation	(51,260)	(23,332)	(95,527)	(14,801)	-	(184,920)
Balance at end of year	(272,545)	(111,822)	(415,207)	(59,205)	(24,900)	(883,679)
Net book value at June 30, 2014	CI\$ 114,299	20,119	1,785,678	383,599	-	2,303,695
2013						
Cost:						
Balance at beginning of year	360,893	125,916	2,197,705	442,804	24,900	3,152,218
Additions	25,951	-	3,180	-	-	29,131
Balance at end of year	386,844	125,916	2,200,885	442,804	24,900	3,181,349
Accumulated depreciation:						
Balance at beginning of year	(148,659)	(65,159)	(224,153)	(29,602)	(24,900)	(492,473)
Depreciation	(72,626)	(23,331)	(95,527)	(14,802)	-	(206,286)
Balance at end of year	(221,285)	(88,490)	(319,680)	(44,404)	(24,900)	(698,759)
Net book value at June 30, 2013	CI\$ 165,559	37,426	1,881,205	398,400	-	2,482,590

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

6. Restricted funds

Fund balances are restricted for:

Archaeology

During the period ended December 31, 1994, a fundraiser was held to provide funds for marine archaeological research and equipment. The net proceeds from the fundraiser were placed in a restricted account for similar expenditures. At June 30, 2014 and 2013, CI\$12,812 remained in the restricted funds account.

Powell's

During the period ended June 30, 1998, the Museum received a government grant of CI\$25,000 for specific projects including creating a business plan, architectural surveys, condition reports, and maintenance planning. As at June 30, 2014 and 2013, CI\$20,250 remained in the restricted funds account.

McCoy Prize Award

During the period ended June 30, 2003, Harris McCoy donated CI\$1,000 to hold for the winner of the McCoy prize. A further CI\$20,900 was donated by the chairman during the period ending June 30, 2006. As at June 30, 2014 and 2013, CI\$1,918 remained in the restricted funds account.

New Building

During the period ended June 30, 2004, the Museum received donations in the amount of CI\$9,840 for the new museum building. As at June 30, 2014 and 2013, CI\$9,840 remained in the restricted funds account.

Maritime Heritage Trail

During the period ended June 30, 2004, the Department of Tourism donated CI\$20,000 for the Maritime Heritage Trail. As at June 30, 2014, CI\$691 (2013: CI\$1,412) remained in the restricted funds account.

Educational Programme

During the period ended 30 June 2012, the museum received a donation of CI\$3,041. This was to be applied to the Museum's educational Fund. As at 30 June 2014 and 2013, CI\$1,588 remained in the restricted funds account.

Renovations & Recovery

During the period ended June 30, 2006, the Museum received donations in the amount of CI\$20,701 for the recovery of any material evidence of artistic, historic or scientific significance to Cayman Islands. As at June 30, 2014 and 2013, CI\$20,701 remained in the restricted funds account.

Webster Foundation

During the period ended 30 June 2012, the museum received a donation of CI\$20,000 to be used to acquire artefacts and the costs of displaying such artefacts. As at 30 June 2014, and 2013 CI\$20,000 remained in the restricted funds account.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

6. Restricted funds (continued)

The movements in restricted fund balances during the years ended June 30, 2014 and 2013 were as follows:

	Archaeology	Powell's	McCoy Prize	New Building	Maritime Heritage Trail	Educational Programme	Renovations & Recovery	Webster Foundation	Total
Balance at June 30, 2012	12,812	20,250	1,918	9,840	1,412	1,702	20,701	20,000	88,635
Disbursements	-	-	-	-	-	(114)	-	-	(114)
Balance at June 30, 2013	CI\$ 12,812	20,250	1,918	9,840	1,412	1,588	20,701	20,000	88,521
Disbursements	-	-	-	-	(721)	-	-	-	(721)
Balance at June 30, 2014	CI\$ 12,812	20,250	1,918	9,840	691	1,588	20,701	20,000	87,800

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

7. Contingency reserve

At June 30, 2014, the Museum's equity includes a contingency reserve of CI\$200,000 (2013: CI\$200,000). The contingency reserve was established by the Board of Control as a precautionary measure to meet costs of overcoming any disaster that might befall the Museum in the future.

8. Government grants

During the year ended June 30, 2014, grants totalling CI\$887,173 (2013: CI\$620,527) were received from Government, of which CI\$221,793 (2013: CI\$nil) is included in accounts receivable at June 30, 2014.

As noted in Note 1, the Museum would not be able to continue as a going concern without ongoing support from the Government and as a result the Museum is economically dependent on the Government.

9. Related party transactions

Controlling entity

The Museum is a wholly owned statutory entity of the Government within the Ministry.

Museum building

Under the terms of a fifty year agreement with the Governor of the Cayman Islands dated June 5, 1990, the Museum leases its building, the Old Courts Building, and the accompanying land for annual consideration of a nominal amount.

Property insurance

The Government determines the insurance premium payable by the Museum, which covers the building and its contents, of the Old Courts Building in Grand Cayman.

During the year ended June 30, 2014, total insurance premium determined for the Museum amounted to CI\$38,880 (2013: CI\$40,974). This amount is included in facility expenses in the statement of financial performance.

At June 30, 2014, CI\$55,502 (2013: CI\$40,009) was payable to the Government in respect of insurance and is included in accounts payable and accrued liabilities in the statement of financial position.

Ministry employees

The Curations Manager, who is an employee of the Ministry, works for the Museum on a secondment contract. A portion of the Curations Manager's remuneration, the details of which are not available to the Museum, formed part of the Ministry's expenditures and are not reflected in the statement of financial performance of the Museum.

The total salary and benefits paid by the Museum to the Curations Manager during the year ended June 30, 2014 amounted to CI\$15,784 (2013: CI\$15,869).

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

9. Related party transactions (continued)

Gift shop sales

During the year ended June 30, 2014, total Museum sales to other Government entities for the provision of items such as national flags, pins and coat of arms amounted to CI\$15,093 (2013: CI\$17,485).

10. Pension plan

The Museum participates in a defined contribution pension plan in accordance with the provisions of the Cayman Islands National Pensions Law (2012 Revision). Contributions for the year ended June 30, 2014 included in staff costs in the statement of financial performance amounted to CI\$16,672 (2013: CI\$26,213). Pension contributions consist of 5% of the employee's salary made by the employee and are matched by the employer (2013: 5%/5%).

11. Key management remuneration

There were no loans to key management at June 30, 2014 (2013: none). Total remuneration paid to the 4 (2013: 4) personnel considered to be key management during the years ended June 30, 2014 and 2013 was:

	Salaries CI\$	Pension CI\$	Health insurance CI\$	Total CI\$
2014	193,630	7,890	21,937	223,457
2013	217,892	10,895	25,668	254,455

Members of the Board of Control are voluntary and do not receive any type of remuneration for services rendered.

12. Financial risk management

The Museum's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The Museum's Board of Control have overall responsibility for the establishment and oversight of its risk management framework. The Museum's risk management policies are established to identify and analyse the risks, set appropriate risk limits and controls and to monitor risks and adherence to limits. The most important types of financial risk to which the Museum is exposed to are credit risk and liquidity risk. This note presents information about the Museum's exposure to each of these risks and the Museum's objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Museum. To mitigate this risk, the Museum has adopted a policy of dealing only with counterparties which it believes to be credit worthy. Financial assets which potentially subject the Museum to credit risk consist principally of cash and cash equivalents and accounts receivable.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

12. Financial risk management (continued)

Credit risk (continued)

At June 30, 2014, the Museum held CI\$268,183 (2013: CI\$322,780) in cash and cash equivalents at one financial institution in the Cayman Islands and CI\$225,434 (2013: CI\$10,299) of accounts receivable, CI\$221,793 (2013: CI\$nil) of which was due from the Government. As such, the Museum is exposed to credit related losses in the event of non-performance by these parties. Given the high credit rating of this financial institution and the Museum's relationship with the Government, the Board of Control do not anticipate any material losses as a result of these concentrations.

Liquidity risk

Liquidity risk is the risk that the Museum will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from the Government and the ability to predict and manage the Museum's expected cash outflows. Throughout the year and subsequent to the year end, the Museum has relied significantly on the support from the Government, to provide funds in the form of grants. The ability of the Museum to meet its obligations is dependent on the ongoing financial support provided by the Government (refer Note 8).

Accounts payable and accrued liabilities are expected to mature within 12 months of the date of the statement of financial position.

13. Commitments and contingencies

The Museum leases premises at Pasadora Place to store its collection and artefacts. The lease will expire on November 30, 2015.

The Museum leases premises at 10 Cayside House for administration, education and library purposes. The lease will expire on December 31, 2015.

	2014	2013
Minimum lease payments		
Payable within one year	59,732	107,126
Payable from one to two years	14,461	38,000
Payable from two to three years	-	19,344
	CI\$ 74,193	164,470

14. Explanations of material variance against budget

Statement of financial position

The majority of the cash and cash equivalent and accumulated surplus variances are the result of the budget having been prepared assuming a break-even performance for the year ended June 30, 2013. The net deficit for the year ended June 30, 2013 was CI\$371,116.

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

14. Explanations of material variance against budget (continued)

Statement of financial position (continued)

The inventory variance was the result of significant unbudgeted write-offs during both the year ended June 30, 2014 and 2013 and improved inventory management.

The variances in property, plant and equipment and contributed capital were the result of Government reallocating budgeted capital funding to another entity.

Statement of financial performance

The Museum did not realize the level of fundraising income and donations that it anticipated during the financial year. This is potentially attributable to donor fatigue as several organizations vie for donations for various charities and non-profit organizations.

Depreciation was lower than budgeted due to certain assets reaching the end of their recorded useful lives.

Variances in facility expenses, rent expenses and administration and other expenses are due to classification differences between these expenditure types during the budgeting process.

The variance in cost of goods sold was largely due to the sale of items which had been previously written off.

Reconciliation of approved budget and budget as per financial statements

Certain approved budget amounts were aggregated and/or disaggregated to ensure comparability:

	Approved budget 2014	Financial Statements 2014
<i>Ownership agreement:</i>		
Purchase of services	103,675	-
Utilities	82,000	-
General insurance	40,000	-
<i>Statement of financial performance:</i>		
Facility expenses	-	150,675
Cost of goods sold	-	75,000
CIS	225,675	225,675

CAYMAN ISLANDS NATIONAL MUSEUM

Notes to Financial Statements

June 30, 2014 and 2013

(expressed in Cayman Islands Dollars)

15. Capital

The Museum's objective when managing its working capital, is to safeguard the Museum's ability to continue as a going concern, through the on-going support from the Government (Note 1 and 2) to ensure that adequate cash flows are generated to fund its programs. Management manages the Museum's capital by assessing the Museum's financial risk and responding to changes in risks and the market. The Museum is not subject to any externally imposed working capital requirements by third parties or the Government. There have been no changes to the strategy adopted by management to control capital of the Museum since the previous year.

16. Subsequent events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to June 26, 2015, being the date that the financial statements were available to be issued.

The approved government grant for the year ended June 30, 2015 of \$820,800 represents a 7.5% reduction from the year ended June 30, 2014.