



University College

of the

Cayman Islands

Financial Statements For The Year Ended June 30, 2013

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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University College of the Cayman Islands

Member of the Association of Caribbean Tertiary Institutions

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the University College of the Cayman Islands in accordance with the provisions of the Public Management and Finance law (2012 Revision), and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance law (2012 Revision), and International Financial Reporting Standards.

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

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

The financial statements fairly present the financial position, financial performance and cash flows of the University College of the Cayman Islands for the financial year ended 30 June 2013.

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

- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2013;
- (b) fairly reflect the financial position as at 30th June 2013 and performance for the year ended 30th June 2013;
- (c) comply with the provisions of the Public Management and Finance law (2012 Revision) and International Financial Reporting Standards.

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

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

Roy Bodden

President

Date- 31 OCTOBER 2013

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

Ansel Temporal

Chief Financial Officer

Date- 31/10/13

AUDITOR GENERAL'S REPORT

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

I have audited the accompanying financial statements of the University College of the Cayman Islands, which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 23 in accordance with the provisions of Section 11(3) of the *University College Law (2012 Revision)* and Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'A Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

31 October 2013
Cayman Islands

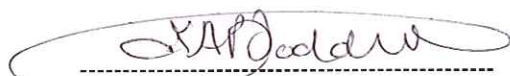
UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

(Stated in Cayman Islands Dollars)

	NOTE	2013	2012 (As Restated)
ASSETS			
Non-Current Assets			
Fixed Assets	2c,3,4	\$5,933,596	\$6,020,416
Intangible Assets	3	37,409	-
Total Non-Current Assets		5,971,005	6,020,416
Current Assets			
Unrestricted Cash Balance	6a	380,402	267,179
Restricted Cash Balance – Capital Fund	6b	142,041	136,362
Inventory	2d	244,973	170,677
Accounts Receivable	5	606,415	753,955
Prepayments		43,938	38,662
Total Current Assets		1,417,769	1,366,835
TOTAL ASSETS		\$7,388,774	\$7,387,251
EQUITY AND LIABILITIES			
Capital and Reserves			
Contributed Capital	7	\$4,490,682	\$4,249,942
Capital Fund	8	301,057	300,682
Accumulated Surplus		(1,368,112)	(1,122,319)
Total Capital and Reserves		3,423,627	3,428,305
Long-Term Liabilities	9	2,499,232	2,522,335
Current liabilities			
Accounts Payable	10	1,362,754	1,331,061
Current Maturities of Long Term Liabilities	9	103,161	105,550
Prepaid Course Fees	11	-	-
Total Current Liabilities		1,465,915	1,436,611
TOTAL EQUITY AND LIABILITIES		\$7,388,774	\$7,387,251

Approved on behalf of the Board of Governors



PRESIDENT

DATE: October 31/10/2013



CHIEF FINANCIAL OFFICER

DATE: 31/10/13

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013
(Stated in Cayman Islands Dollars)

	NOTE	2013	2012 (As Restated)
REVENUE			
Government Grant	12	\$3,905,976	\$4,231,440
Tuition Fees		1,747,037	1,985,673
Book & Merchandise Sales		505,769	442,572
Other Income	13	518,857	764,310
Total Revenue		6,677,639	7,390,995
EXPENSES			
Salaries and Wages		4,280,816	4,356,816
Operating Expenses	16	659,897	677,441
Supplies and Materials	17	464,011	392,559
Depreciation	2c, 3	437,061	439,374
Utilities		417,840	437,961
Pension Expense	14	180,213	248,191
Insurance		145,954	159,820
Health Insurance		98,679	106,875
Travel and Subsistence		91,455	138,337
Brac Campus Expenses		72,000	72,000
Loan Interest and Bank Charges		45,096	36,399
Foreign Exchange (Gain) / Loss	2e	26,627	(139,548)
Bad Debts		3,783	19,671
Total Expenses		6,923,432	6,945,896
Net (Deficit) / Surplus for the Year		(245,793)	445,099
Deficit at Beginning of the Year		(1,122,319)	(1,639,707)
Prior Year Adjustment		-	33,289
Transfer (to)/from Plant fund	8	-	39,000
Accumulated Deficit at end of the Year		(\$1,368,112)	(\$1,122,319)

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at 1 July 2011	\$339,260	\$4,249,942	\$(1,639,707)	\$2,949,495
Interest earned on capital fund balance	422	-	-	422
Transfer from Capital During the Year	(39,000)	-	39,000	-
Government Capital Injection	-	-	-	-
Net Surplus for the year	-	-	445,099	445,099
Balance as at June 30, 2012 (As Previously Stated)	300,682	4,249,942	(1,155,608)	3,395,016
Prior Year Adjustments for: Tuition Fees	-	-	33,289	33,289
Balance as at June 30, 2012 (Restated)	300,682	4,249,942	(1,122,319)	3,428,305
Interest Earned on Capital Fund Balance	375	-	-	375
Transfer From Capital During the Year	-	-	-	-
Government Capital Injection	-	240,740	-	240,740
Net Surplus for the Year	-	-	(245,793)	(245,793)
Balance as at June 30, 2013	\$301,057	\$4,490,682	\$(1,368,112)	\$3,423,627

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013
(Stated in Cayman Islands Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Deficit) / Surplus for the Year	(245,793)	445,099
Adjustment to Reconcile Net (Deficit) / Surplus for the Year to Net Cash Provided by Operating Activities:		
Depreciation	437,061	439,374
Unrealised Loss / (Gain) on Foreign Currency translation	26,627	(139,548)
Increase in Past Service Liability	50,000	47,000
Operating Profit before Working Capital Changes	267,895	791,925
Net Changes in Non-Cash Working Capital Balances Related to Operations:		
(Increase) / Decrease in Accounts Receivable	147,540	(156,920)
(Increase) / Decrease in Prepayments	(5,276)	27,564
(Increase) / Decrease in Inventory	(74,296)	(28,719)
Increase / (Decrease) in Accounts Payable	31,693	(161,506)
Increase / (Decrease) in Current Maturities	(2,389)	47,625
Increase / (Decrease) in Prepaid Course Fees	-	(25,784)
Net Cash Generated from Operations	365,167	494,185
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(387,650)	(275,337)
Net Cash Used In Investing Activity	(387,650)	(275,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	240,740	-
Repayment of Long Term Loans	(99,730)	(123,732)
Interest Received on Capital Fund Balance	375	422
Net Cash Provided by (Used in) Financing Activities	141,385	(123,310)
Net Increase in Cash and Cash equivalents	118,902	95,538
Cash and Cash Equivalents at Beginning of Year	403,541	308,003
Cash and Cash Equivalents at End of Year	522,443	403,541

The accompanying notes form an integral part of these financial statements

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

1. ESTABLISHMENT AND PRINCIPAL ACTIVITY

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Changes in International Financial Reporting Standards

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

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

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

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Changes in International Financial Reporting Standards (continued)

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

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

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

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

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

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

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

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Changes in International Financial Reporting Standards (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

b. Basis of Accounting

The financial statements of the University College are prepared on the accruals basis under the historical cost convention, except for inventory (see note 2d) and past service liability (note 14).

Generally Accepted Accounting Principles requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets and rates for depreciation.

c. Fixed assets and Depreciation

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

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2013, which is purchased by the University College for resale to students. They are valued at the lower of cost and net realizable value on a first-in, first-out basis.

e. Foreign Currency Translation

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

f. Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, regardless of how the borrowings are applied.

g. Revenue Recognition

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

h. Comparative figures

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Construction In Progress	Furniture & Equipment	Vehicles	Computers	Other Intangible Assets	Library Books	Total
Cost:									
At 01 July 2012	\$273,090	\$9,525,827	\$-	\$1,091,471	\$9,285	\$1,052,794	\$-	\$412,648	\$12,365,116
Additions	-	20,401	138,176	35,190	5,800	138,205	49,879	-	387,650
At 30 June 2013	273,090	9,546,228	138,176	1,126,661	15,085	1,190,999	49,879	412,648	12,752,766
Accumulated Depreciation:									
At 01 July 2011	-	4,052,675	-	924,698	9,285	955,647	-	402,395	6,344,700
Depreciation	-	238,656	-	72,029	1,450	106,358	12,470	6,098	437,061
At 30 June 2012	-	4,291,331	-	996,727	10,735	1,062,005	12,470	408,493	6,781,761
Net Book Value:									
At 30 June 2013	\$273,090	\$5,254,897	\$138,176	\$129,934	\$4,350	\$128,994	\$37,409	\$4,155	\$5,971,005
At 30 June 2012	\$273,090	\$5,473,152	\$-	\$166,773	\$-	\$97,147	\$-	\$10,253	\$6,020,416

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

4. FREEHOLD LAND

The Government acquired 15.8 acres of land for the construction of the University College through compulsory acquisition in 1988 and 1995. The property, consisting of land and buildings, has not yet been vested with the University College of the Cayman Islands and is registered in the name of the Crown. The cost of land has been classified as Donated Capital (See Note 7).

5. ACCOUNTS RECEIVABLE

	<u>30.06.13</u>	<u>30.6.12</u> <u>(As Restated)</u>
Trade Receivable		
Tuition	\$269,104	\$478,953
Government Bodies	559,089	674,779
Staff Advances	11,578	139,285
Unsubstantiated Expenditure	-	211,391
	<u>839,771</u>	<u>1,504,408</u>
Less: Provision for Bad Debts (Bals. > 90days)	(233,356)	(750,453)
Total	<u>\$606,415</u>	<u>\$753,955</u>

	<u>30.06.13</u>	<u>30.06.12</u>
Movement in Bad Debt Provision		
Opening Balance	\$750,453	\$744,448
Bad Debts Written Off:	(520,880)	(13,666)
Provision for Bad Debts	3,783	19,671
Closing Balance	<u>\$233,356</u>	<u>\$750,453</u>

Trade Accounts Receivable	Current	31-60	61-90	> 90 Days	Total
Tuition Fees	\$33,558	\$1,598	\$592	\$233,356	\$269,104
Staff Advances	11,465	-	-	-	11,578
Total Third Party					
Receivables	<u>45,023</u>	<u>1,598</u>	<u>592</u>	<u>233,356</u>	<u>280,682</u>
Government Bodies	492,082	29,405	1,818	35,784	559,089
Total	<u>\$537,105</u>	<u>\$31,003</u>	<u>\$2,410</u>	<u>\$269,140</u>	<u>\$839,771</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

6. BANK BALANCES

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

<u>Account Type</u>	<u>30.06.13</u>	<u>30.06.12</u>
Operating Accounts:		
Current Account - \$C.I.	\$69,568	(\$45,261)
Current Account - \$U.S	5,301	9,107
Cashiers' Float	4,475	2,650
Total Operating Funds	<u>79,344</u>	<u>(33,504)</u>
Funds Held in Fixed Deposits:		
Capital Fund	301,058	300,683
Total Fixed Deposits - \$C.I.	<u>301,058</u>	<u>300,683</u>
 Total Unrestricted Cash Balances	 <u><u>\$380,402</u></u>	 <u><u>\$267,179</u></u>

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

Restricted Balances	<u>30.06.13</u>	<u>30.06.12</u>
Ironwood Trust Scholarship	\$106,251	\$106,265
FAMU/UCCI Student Exchange	15,528	15,552
Donated Funds – Scholarship & Science	20,262	14,545
Total Restricted Cash Balances	<u>142,041</u>	<u>136,362</u>
 Total Cash & Cash Equivalents	 <u><u>\$522,443</u></u>	 <u><u>\$403,541</u></u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

7. CONTRIBUTED CAPITAL

The University's Contributed Capital represents cumulative funds donated by the Cayman Islands Government and Private Sector Interests as shown below. During the year \$240,740 in new equity injection was provided as start-up capital for the School of Nursing.

<u>Cayman Islands Government</u>	<u>30.06.13</u>	<u>30.06.12</u>
Capital Injection	\$1,132,609	\$1,132,609
Equity Injection to Fund Post Ivan Recovery	200,000	200,000
For the continuation of the College's Building programme	1,250,990	1,250,990
For the purchase of land	264,585	264,585
For the Capital works programme carried out by PWD during 1994	24,904	24,904
For the development of a playfield for the College	80,000	80,000
For the construction of the multi-purpose Hall/Hurricane Shelter	1,250,000	1,250,000
For Capital Items related to The UCCI School of Nursing	240,740	-
	<u>4,443,828</u>	<u>4,203,088</u>
<u>Private Sector</u>	<u>46,854</u>	<u>46,854</u>
Total	<u>\$4,490,682</u>	<u>\$4,249,942</u>

8. CAPITAL FUND

This represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College. Interest of \$375 (2012:\$422) was received on these funds.

	<u>30.06.13</u>	<u>30.06.12</u>
Fund Balance	<u>\$301,057</u>	<u>\$300,683</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

9. LONG TERM LIABILITIES (continued)

	<u>30.06.13</u>	<u>30.06.12</u>
Cayman Islands Government:		
a. Assets Vested	\$979,311	\$1,027,537
b. European Development Fund	926,082	953,348
	<u>1,905,393</u>	<u>1,980,885</u>
c. Public Service Pensions Board (Past Service Liability)	697,000	647,000
d. Redundancy Provisions	-	-
TOTAL LIABILITIES	<u>2,602,693</u>	<u>2,627,885</u>
Less Current Maturities		
a. Assets Vested	48,226	48,226
b. European Development Fund	54,935	57,324
TOTAL CURRENT LIABILITIES	<u>103,161</u>	<u>105,550</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,499,232</u>	<u>\$2,522,335</u>

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2 yrs	3-5 yrs	5 + yrs	2013	2012
a) Assets Vested	48,226	96,452	144,678	689,955	979,311	1,027,537
b) European Dev. Fund	54,935	111,198	171,277	588,672	926,082	953,348
		Total Long Term Liabilities			1,905,393	1,980,885
		Less Current Maturities			103,161	105,550
		Due Beyond 1 year			1,802,232	1,875,335

Included in operating expenses for the year ended June 30, 2013 is interest expense of CI\$9,609 (2012 CI\$10,495) relating to these loans. If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$40,310.

- a. The loan of CI\$1,316,893 is unsecured, interest free and repayable in yearly instalments until the year 2033. Loan repayments commenced in 1993. It relates to the cost of land, buildings, furniture and equipment financed by the Cayman Islands Government prior to the University College becoming a Statutory Authority. The formal vesting of these assets was completed on October 16, 2013.
- b. The Loan from the European Development Fund of CI\$1,286,504. (EUR 1,134,783) commenced in October 1999 and is repayable in 60 semi-annual instalments until the year 2029. The loan attracts an interest rate of 1% per annum on the principal amount outstanding and has been guaranteed by the Cayman Islands Government. No collateral security has been provided by the University College.
- c. Refer to Note 14 for explanation of the Public Service Pensions Fund's Past Service Liability.

University College of the Cayman Islands
Notes to the Financial Statements
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(Stated in Cayman Islands Dollars)

10. ACCOUNTS PAYABLE

	<u>30.06.13</u>	<u>30.06.12</u>
Due to CIG Treasury	\$460,058	\$348,072
Accrued Vacation and Gratuity	263,991	282,085
Trade Payables	254,782	241,204
Credit Balances in Accounts Receivable	186,528	191,607
Scholarship Clearing	75,346	78,838
Accrued Wages	50,703	56,425
Audit Fees Provisions	45,000	109,185
Other provisions and accruals	26,346	23,645
TOTAL ACCOUNTS PAYABLE	<u>\$1,362,754</u>	<u>\$1,331,061</u>

11. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2012/2013 school term. Funds received from the Government departments and corporate sponsors will be used for the benefit of specific scholarship holders.

12. GOVERNMENT GRANT

During the year the Cayman Islands Government's grant to the University College of the Cayman Islands was \$3,905,976 (2012: \$4,231,440). To continue as a going concern the University College will require annual assistance from the Government for the foreseeable future. This grant is based on expected performance of the University College during the current year.

13. OTHER INCOME

Description	<u>30.06.13</u>	<u>30.06.12</u>
Miscellaneous Receipts	\$173,842	\$166,176
Civil Service College	134,888	92,015
Donations	92,765	373,013
Dept. of Tourism TATP	86,508	89,011
Rental Income	25,326	40,088
Examination Fees	5,515	4,000
Interest Income	13	7
Total	<u>\$518,857</u>	<u>\$764,310</u>

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14. PENSIONS

The University College carried three separate classes of pension contributions for an average of forty nine (49) employees during the year ended 30 June 2013.

Public Service Pensions Fund – Defined Benefits

The Public Service Pensions Law, 1999 (Law 6 of 1999) re-organised existing public service pension provisions into separate defined benefit and defined contribution schemes with effect from January 1, 2000. Only employees who were enrolled in the former public service pension scheme at that date were permitted to join the revised defined benefit scheme. The cut-off date for admission to the defined benefit scheme was extended to 31 December 1999. There were no employees on this plan during the Financial Year ended 30 June 2013.

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

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

The University College recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. In the absence of formal notification from the Pensions Board, the University College has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

The most recent provisional actuarial estimate was performed as of June 30, 2013 by the Public Service Pension Board (“PSPB”) indicated a plan deficit attributable to the University College of CI\$697,000 (2012: CI\$646,000 final revision after completing actuarial valuation exercise. In the 2011/12 Financial Statements the provisional estimate used as submitted by the PSPB was \$647,000).

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Notes to the Financial Statements
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14. PENSIONS (continued)

Pension Expense and Reconciliation of Defined Pension Liability

	<u>30.6.13</u>	<u>30.6.12</u>
	CIS(000)	CIS(000)
Provision at the beginning of the year	647	600
Pension expense for the year	50	47
Employer Contributions		
Provision at end of year	<u>697</u>	<u>647</u>
Reconciliation of Funded Status:		
Company's share of Defined Benefit Obligation	198	205
Fair Value of Plan Assets	609	560
Funded Status	<u>809</u>	<u>765</u>
Unrecognized past service costs	-	-
Unrecognized actuarial Gain/(Loss)	(110)	(118)
Defined benefit liability	<u>697</u>	<u>647</u>
Components of the Pension Expense for the year:		
Company Service Cost	-	7
Interest Cost	-	9
Expected return on assets net of expense	-	32
Recognition of net (Gain)/Loss	-	2
Employer's Contribution	-	(3)
Pension Expense for the year	<u>-</u>	<u>47</u>

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14. PENSIONS (continued)

Public Service Pensions Fund – Defined Contributions

Caymanian employees who are not participating in the defined benefit plan shall be enrolled in the defined contribution scheme. No employees were on this plan during the Financial Year ended 30 June 2013.

Expatriate Officers – Defined Contributions

In order to standardise employment practices, with effect from March 1999 the Board agreed that the 15% Contracted Officers Supplement payable to expatriate officers of the College would be replaced by an employer's contribution equivalent to 10% of salary to a private pension plan. The remaining 5% of salary is now paid as a gratuity upon completion of employment. During 2010 the Board of Governors determined that the entity's pension contribution should be reduced to 5% and the gratuity eliminated for new and renewed contracts. Forty eight (48) employees were on this plan during the year ended 30 June 2013. The total amount recognised, as a pension expense during the year was \$180,213 (2012: \$248,191)

15. RELATED PARTY TRANSACTIONS

- a) The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for the year was \$45,000 (2012: \$45,000).

As disclosed in Note 12, the University College is dependent on an annual grant from the Cayman Islands Government. The University College also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects.

- b) The University allows full time members of staff to be paid additional compensation for lecturing duties done outside of normal working hours or above the required base teaching load. Payments are made based on contact hours at a predetermined rate.
- c) Emoluments Paid to Key Management Personnel during the year amounted to \$507,729 (2012: \$510,809).
- d) At year end a staff members had outstanding balances totaling \$11,578 relating primarily to advances for relocating new expat hires. These balances will be settled in 2013/14.
- e) Members of the University College's Board of Governors receive no remuneration for their services.

University College of the Cayman Islands
Notes to the Financial Statements
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16. OPERATING EXPENSES

	<u>30.6.13</u>	<u>3.60.12</u>
Expense Description		
Maintenance of Buildings & Grounds	\$118,952	\$110,316
Janitorial Services	93,178	85,170
Security Services	81,461	91,806
Software Fees	71,250	59,509
Printing & Stationery	47,878	43,138
Audit Fees	45,000	45,000
Advertising, Promotion and Public Relations	42,311	28,364
Maintenance of Equipment	22,420	35,281
Hospitality	21,996	20,736
Miscellaneous	20,759	13,156
Courier, Postage and Delivery Services	18,862	13,018
External Exam Expenses	16,606	85,072
Subscriptions	14,012	14,909
Student Activities, Awards and Graduation	13,682	8,439
Legal & Professional Fees	7,689	6,045
Consultancy Fees	5,177	3,585
Training And Staff Development	9,079	2,519
Publications & Distribution Expenses	6,303	5,968
Pandemix Steel Band	3,282	5,410
Total Operating Expenses	<u>\$659,897</u>	<u>\$677,441</u>

17. SUPPLIES AND MATERIALS (OWN USE)

<u>Description</u>	<u>30.06.13</u>	<u>30.06.12</u>
Inventory Items Expensed	\$11,725	\$9,617

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

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18. COMMITMENTS

As at 30 June 2013 the College had the following commitments relating to a 3-year commercial lease entered into with Garston Grant and Hedy Grant in August 2010 for the housing of the Cayman Brac Campus of the University College:

Lease Obligations for the next 12 months	\$6,000
Lease Obligations for 2-5 years	-

19. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2013 the following methods and assumptions were used by management to estimate the fair value of each financial instrument:

a) Bank Balances

The carrying amount approximates fair value.

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

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

c) Current and Long Term Debt

The Cayman Islands Government Loan for Assets Vested does not attract interest. The carrying amount of this loan represents the principal balance owing.

The loan from the European Development Fund attracts an annual interest rate of 1% on the principal amount outstanding. The anticipated future principal repayments have not been discounted, as it would not provide any additional relevant information.

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

ii. Credit Risk

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

University College of the Cayman Islands
Notes to the Financial Statements
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19. FINANCIAL INSTRUMENTS (continued)

ii. Credit Risk (continued)

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

iii. Interest rate risk

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

20. UNSUBSTANTIATED TRANSACTIONS

A review of the accounts for the year ended June 30, 2008 uncovered unsubstantiated expenditures of between CI\$220,000 and CI\$550,000. Consequently, the expenditure shown in the financial statements for the year ended June 30, 2008, includes amounts between \$220,000 and \$550,000 that may be outside the normal operations of the College.

The nature of these transactions appears to bear no relation to the operational activities of the University College of the Cayman Islands and that the College received no benefit from these expenditures. These expenditures were incurred by UCCI personnel and were reflected in the expenditure ledger in the relevant years affected.

These matters are now subject to ongoing probe by the Royal Cayman Islands Police Service. There were no such expenditures occurring in the year ended June 30, 2013.

21. SUBSEQUENT EVENTS

The matters relating to the unsubstantiated transactions are now subject to an ongoing probe by the Royal Cayman Islands Police Service. The Board of Governors has indicated that it is unlikely that this amount will be recovered.