



University College

of the

Cayman Islands

Financial Statements For The Year Ended June 30, 2014

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

Table of Contents

	Page
Statement of Responsibility For The Financial Statements	1
Auditor General's Report	2 - 3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 29



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 2014.

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 2014;
- (b) fairly reflect the financial position as at 30th June 2014 and performance for the year ended 30th June 2014;
- (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 purple ink, appearing to read "Roy Bodden", is written over a horizontal line.

Roy Bodden

President

October 30, 2014

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

Ansel Temporal

Chief Financial Officer

October 30, 2014

AUDITOR GENERAL'S REPORT

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

I have audited the accompanying financial statements of the University College of the Cayman Islands, which comprise the statement of financial position as at 30 June 2014 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 4 to 29 in accordance with the provisions of section 11(3) of the University College Law (2012 Revision) and Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in purple ink, appearing to read 'AS', followed by a long, wavy horizontal line.

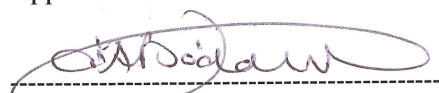
Alastair Swarbrick, MA (Hons), CPFA
Auditor General

30 October 2014
Cayman Islands

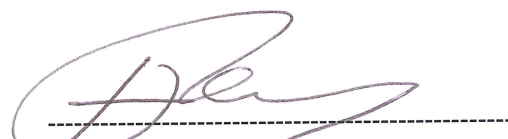
UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014
(Stated in Cayman Islands Dollars)

	NOTE	2014	2013 (As Restated)
ASSETS			
Non-Current Assets			
Fixed Assets	2c,3,4	\$5,946,112	\$5,933,596
Intangible Assets	3	24,939	37,409
Total Non-Current Assets		5,971,051	5,971,005
Current Assets			
Unrestricted Cash Balance	6a	124,662	380,402
Restricted Cash Balance – Capital Fund	6b	119,219	142,041
Inventory	2d	339,630	244,973
Accounts Receivable	5	750,460	606,415
Prepayments		93,612	43,938
Total Current Assets		1,427,583	1,417,769
TOTAL ASSETS		\$7,398,634	\$7,388,774
EQUITY AND LIABILITIES			
Capital and Reserves			
Contributed Capital	7	\$6,917,000	\$4,490,682
Capital Fund	8	301,433	301,057
Accumulated Deficit		(1,467,577)	(1,469,112)
Accumulated Other Comprehensive Loss		(183,000)	(64,000)
Total Capital and Reserves		5,567,856	3,258,627
Long-Term Liabilities	9	1,038,000	2,664,232
Current liabilities			
Accounts Payable	10	792,778	1,362,754
Current Maturities of Long Term Liabilities	9	-	103,161
Prepaid Course Fees	11	-	-
Total Current Liabilities		792,778	1,465,915
TOTAL EQUITY AND LIABILITIES		\$7,398,634	\$7,388,774

Approved on behalf of the Board of Governors



PRESIDENT



CHIEF FINANCIAL OFFICER

DATE: October 30, 2014

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 2014
(Stated in Cayman Islands Dollars)

	NOTE	2014	2013 (As Restated)
REVENUE			
Government Grant	12	\$4,248,542	\$3,905,976
Tuition Fees		1,809,023	1,747,037
Book & Merchandise Sales	17	532,589	505,769
Other Income	13	605,506	518,857
Total Revenue		7,195,660	6,677,639
EXPENSES			
Salaries and Wages		4,339,950	4,280,816
Operating Expenses	16	739,519	659,897
Supplies and Materials	17	470,044	464,011
Depreciation	2c, 3	429,292	437,061
Utilities		424,040	417,840
Pension Expense	14	178,734	281,213
Insurance		147,840	145,954
Health Insurance		102,984	98,679
Travel and Subsistence		173,735	91,455
Brac Campus Expenses		72,000	72,000
Loan Interest and Bank Charges		30,304	45,096
Foreign Exchange (Gain) / Loss	2e	51,097	26,627
Bad Debts		34,586	3,783
Total Expenses		7,194,125	7,024,432
Net Surplus / (Deficit) for the Year		1,535	(346,793)
Other comprehensive loss:			
Re-measurement of defined benefit pension	14	(119,000)	(64,000)
Total Comprehensive Loss for the Year		(\$117,465)	(\$410,793)

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 2014
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Deficit (As Restated)	Other comprehens- ive income (As restated)	Total (As Restated)
Balance as at 1 July 2012	\$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 (Deficit)/Surplus for the year	-	-	(346,793)	-	(346,793)
Other comprehensive loss for the year	-	-	-	(64,000)	(64,000)
Balance as at June 30, 2013	301,057	4,490,682	(1,469,112)	(64,000)	3,258,627
Interest Earned on Capital Fund Balance	376	-	-	-	376
Transfer From Capital During the Year	-	-	-	-	-
Government Capital Injection	-	2,426,318	-	-	2,426,318
Net (Deficit)/Surplus for the Year	-	-	1,535	-	1,535
Other comprehensive loss for the year			-	(119,000)	(119,000)
Balance as at June 30, 2014	\$301,433	\$6,917,000	(\$1,467,577)	(\$183,000)	\$5,567,856

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 2014
(Stated in Cayman Islands Dollars)

	2014	2013 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	\$ 1,535	(\$ 346,793)
Adjustment to Reconcile Net (Deficit) / Surplus for the Year to Net Cash Provided by Operating Activities:		
Depreciation	429,292	437,061
Unrealised Loss / (Gain) on Foreign Currency translation	51,097	26,627
Non-cash interest expense	9,769	-
Defined benefit pension cost charged to surplus	57,000	151,000
Operating Profit before Working Capital Changes	548,693	267,895
Net Changes in Non-Cash Working Capital Balances Related to Operations:		
(Increase) / Decrease in Accounts Receivable	(144,045)	147,540
(Increase) / Decrease in Prepayments	(49,674)	(5,276)
(Increase) / Decrease in Inventory	(94,656)	(74,296)
Increase / (Decrease) in Accounts Payable	(109,918)	31,693
Increase / (Decrease) in Current Maturities	-	(2,389)
Increase / (Decrease) in Prepaid Course Fees	-	-
Net Cash Generated from Operations	150,400	365,167
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(429,338)	(387,650)
Net Cash Used In Investing Activity	(429,338)	(387,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	-	240,740
Repayment of Long Term Loans	-	(99,730)
Interest Received on Capital Fund Balance	376	375
Net Cash Provided by (Used in) Financing Activities	376	141,385
Net Increase/(Decrease) in Cash and Cash equivalents	(278,562)	118,902
Cash and Cash Equivalents at Beginning of Year	522,443	403,541
Cash and Cash Equivalents at End of Year	243,881	522,443
Cash and cash equivalents reported above is comprised of the following items presented in the statement of financial position:		
Unrestricted Cash Balance	124,662	380,402
Restricted Cash Balance – Capital Fund	119,219	142,041
	243,881	522,443

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 2014
(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 2014
(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 2014
(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 2014
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2014, 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 resources 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 2014
(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 2013	\$273,090	\$9,546,228	\$138,176	\$1,126,661	\$15,085	\$1,190,999	\$49,879	\$412,648	\$12,752,766
Additions	-	234,574	(138,176)	269,141	-	63,799	-	-	429,338
At 30 June 2014	273,090	9,780,802	-	1,395,802	15,085	1,254,798	49,879	412,648	13,182,104
Accumulated Depreciation:									
At 01 July 2013	-	4,291,331	-	996,727	10,735	1,062,005	12,470	408,493	6,781,761
Depreciation	-	244,195	-	80,086	1,450	88,471	12,470	2,620	429,292
At 30 June 2014	-	4,535,526	-	1,076,813	12,185	1,150,476	24,940	411,113	7,211,053
Net Book Value:									
At 30 June 2014	\$273,090	\$5,245,276	\$-	\$318,989	\$2,900	\$104,322	\$24,939	\$1,535	\$5,971,051
At 30 June 2013	\$273,090	\$5,254,897	\$138,176	\$129,934	\$4,350	\$128,994	\$37,409	\$4,155	\$5,971,005

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

4. FREEHOLD LAND

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

5. ACCOUNTS RECEIVABLE

	<u>30.06.14</u>	<u>30.06.13</u>
Trade Receivable		
Tuition	\$282,189	\$269,104
Government Bodies	740,206	559,089
Staff Advances	608	11,578
	<u>1,023,003</u>	<u>839,771</u>
Less: Provision for Bad Debts (Bals. > 90days)	<u>(272,543)</u>	<u>(233,356)</u>
Total	<u>\$750,460</u>	<u>\$606,415</u>

	<u>30.06.14</u>	<u>30.06.13</u>
Movement in Bad Debt Provision		
Opening Balance	\$233,356	\$750,453
Bad Debts Written Off:	-	(520,880)
Provision for Bad Debts	<u>39,187</u>	<u>3,783</u>
Closing Balance	<u>\$272,543</u>	<u>\$233,356</u>

Trade Accounts Receivable	Current	31-60	61-90	> 90 Days	Total
Tuition Fees	\$1,880	\$9,486	\$1,495	\$269,328	\$282,189
Staff Advances	608	-	-	-	608
Total Third Party Receivables	<u>2,488</u>	<u>9,486</u>	<u>1,495</u>	<u>269,328</u>	<u>282,797</u>
Government Bodies	697,206	39,785	-	3,215	740,206
Total	<u>\$699,694</u>	<u>\$49,271</u>	<u>\$1,495</u>	<u>\$272,543</u>	<u>1,023,003</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(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>30.06.14</u>	<u>30.06.13</u>
Operating Accounts:		
Current Account - \$C.I.	(\$190,402)	\$69,568
Current Account - \$U.S	9,156	5,301
Cashiers' Float	4,475	4,475
Total Operating Funds	<u>(176,771)</u>	<u>79,344</u>
Funds Held in Fixed Deposits:		
Capital Fund	301,433	301,058
Total Fixed Deposits - \$C.I.	<u>301,433</u>	<u>301,058</u>
Total Unrestricted Cash Balances	<u>\$124,662</u>	<u>\$380,402</u>

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

<u>Restricted Balances</u>	<u>30.06.14</u>	<u>30.06.13</u>
Ironwood Trust Scholarship	\$19,961	\$106,251
FAMU/UCCI Student Exchange	15,530	15,528
Donated Funds – Scholarship & Science	83,728	20,262
Total Restricted Cash Balances	<u>119,219</u>	<u>142,041</u>
Total Cash & Cash Equivalents	<u>\$243,881</u>	<u>\$522,443</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(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 \$2,426,318 in long term debt was forgiven in a debt to equity conversion approved by the Cabinet, see Note 9 below.

<u>Cayman Islands Government</u>	<u>30.06.14</u>	<u>30.06.13</u>
Capital Injection	\$1,132,609	\$1,132,609
Equity Injection to Fund Post Ivan Recovery	200,000	200,000
For the continuation of the College's Building programme	1,250,990	1,250,990
For the purchase of land	264,585	264,585
For the Capital works programme carried out by PWD during 1994	24,904	24,904
For the development of a playfield for the College	80,000	80,000
For the construction of the multi-purpose Hall/Hurricane Shelter	1,250,000	1,250,000
For Capital Items related to The UCCI School of Nursing	240,740	240,740
Long Term Loan Debt Forgiveness (Cabinet Approved)	2,426,318	-
	6,870,146	4,443,828
<u>Private Sector</u>	46,854	46,854
Total	\$6,917,000	\$4,490,682

8. CAPITAL FUND

This represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College. Interest of \$376 (2013:\$375) was received on these funds.

	<u>30.06.14</u>	<u>30.06.13</u>
Fund Balance	\$301,433	301,057

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

	<u>30.06.14</u>	<u>30.06.13</u> (As Restated)
Cayman Islands Government:		
a. Assets Vested	-	\$979,311
b. European Development Fund	-	926,082
	-	1,905,393
c. Public Service Pensions Board (Past Service Liability)	1,038,000	862,000
d. Redundancy Provisions	-	-
TOTAL LIABILITIES	1,038,000	2,767,393
Less Current Maturities		
a. Assets Vested	-	48,226
b. European Development Fund	-	54,935
TOTAL CURRENT LIABILITIES	-	103,161
TOTAL LONG TERM LIABILITIES	\$1,038,000	\$2,664,232

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2 yrs	3-5 yrs	5 + yrs	2014	2013
a) Assets Vested	-	-	-	-	-	979,311
b) European Dev. Fund	-	-	-	-	-	926,082
Total Long Term Liabilities					-	1,905,393
Less Current Maturities					-	103,161
Due Beyond 1 year					-	1,802,232

Included in operating expenses for the year ended June 30, 2014 is interest expense of CI\$7,755 (2013 CI\$9,609) relating to these loans. If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$19,054.

- 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. During the year the balance on this loan of CI\$1,172,215, was forgiven by the Cayman Islands Government (Cabinet) and converted to Equity.
- 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

9. LONG TERM LIABILITIES (continued)

No collateral security has been provided by the University College. During the year the balance on this loan of CI\$1,254,103 was forgiven by the Cayman Islands Government (Cabinet) and converted to Equity.

c. Refer to Note 14 for explanation of the Public Service Pensions Fund's Past Service Liability.

10. ACCOUNTS PAYABLE

	<u>30.06.14</u>	<u>30.06.13</u>
Due to CIG Treasury	\$ -	\$460,058
Accrued Vacation and Gratuity	252,581	263,991
Trade Payables	173,312	254,782
Credit Balances in Accounts Receivable	189,083	186,528
Scholarship Clearing	74,841	75,346
Accrued Wages	38,804	50,703
Audit Fees Provisions	45,000	45,000
Other provisions and accruals	19,157	26,346
TOTAL ACCOUNTS PAYABLE	<u>\$792,778</u>	<u>\$1,362,754</u>

11. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2013/2014 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 \$4,248,542 (2013: \$3,905,976). 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>30.06.14</u>	<u>30.06.13</u>
Miscellaneous Receipts	\$209,682	\$173,842
Civil Service College	131,250	134,888
Donations	116,363	92,765
Dept. of Tourism TATP	109,142	86,508
Rental Income	32,176	25,326
Examination Fees	6,882	5,515
Interest Income	11	13
Total	<u>\$605,506</u>	<u>\$518,857</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS

The University College carried three separate classes of pension contributions for an average of fifty (50) employees during the year ended 30 June 2014. IAS 19R became effective January 1, 2013. For the University College, adoption of IAS 19R is effective for fiscal year ending June 30, 2014. Upon transitioning to IAS 19R, there is an adjustment to the statement of financial position of \$165,000. All unamortized gains and losses and past service costs under IAS 19 will be immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related will be recognized in profit or loss as an operating charge under IAS 19R. This differs from the current approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate.

Public Service Pensions Fund – Defined Benefits

The Public Service Pensions Law, 1999 (Law 6 of 1999) re-organised existing public service pension provisions into separate defined benefit and defined contribution schemes with effect from January 1, 2000. Only employees who were enrolled in the former public service pension scheme at that date were permitted to join the revised defined benefit scheme. The cut-off date for admission to the defined benefit scheme was extended to 31 December 1999. There were no employees on this plan during the Financial Year ended 30 June 2014.

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, 2014 by the Public Service Pension Board (“PSPB”) indicated a plan deficit attributable to the University College of CI\$1,038,000 (2013: CI\$862,000 as restated). The University College has engaged the PSPB and the new Actuaries, Mercer, in discussions concerning the basis appropriateness of the calculation of the defined benefit liability and basis on which the obligation was assigned to the entity.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

Pension Expense and Reconciliation of Defined Pension Liability

	<u>30.06.14</u>	<u>30.06.13</u>
	CIS(000)	(As Restated) CIS(000)
Provision at the beginning of the year	862	757
Pension expense for the year	176	105
Employer Contributions	-	-
Provision at end of year	1,038	862

Reconciliation of Funded Status:

Company's share of Defined Benefit Obligation	286	224
Less: Fair Value of Plan Assets (Negative)	(752)	(638)
Defined benefit liability	1,038	862

Components of Defined Benefit Cost for the year:

Current Service Cost	12	-
Total Net Interest Cost	45	40
Administrative Expenses and Taxes	-	1
Defined benefit cost included in P&L	57	41

Remeasurement Included in Other Comprehensive Income (OCI):

Demographic Assumptions Change	-	14
Discount Rate Change	38	2
Plan Experience	-	10
Return on Plan Asset (Excluding Interest)	81	38
Total remeasurement included in OCI	119	64
Pension Expense for the year	176	105

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

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

	<u>30.06.14</u>	<u>30.06.13</u>
	\$000	\$000
Fair value of plan assets at beginning of year (negative)	(638)	(569)
Interest income	(33)	(30)
Cash flows		
Employer and participant contributions	-	-
Benefit payments from plan	-	-
Administrative expenses paid from plan assets	-	(1)
Remeasurements – return on plan assets (excluding interest income)	(81)	(38)
Fair value of plan assets at end of year (negative)	(752)	(638)

The defined benefit liability reconciliation is as follows:

	<u>30.06.14</u>	<u>30.06.13</u>
	\$000	\$000
Defined benefit obligation at beginning of year	224	188
Current service cost	12	-
Interest expense	12	10
Effect of changes in demographic assumptions	-	14
Effect of changes in financial assumptions	38	2
Effect of changes in experience adjustments	-	10
Cash flows – employer contributions	-	-
Defined benefit obligation at end of year	286	224

The sensitivity analysis on defined benefit obligation is shown below:

	<u>30.06.14</u>	<u>30.06.13</u>
1. Discount rate		
a. Discount rate - 25 basis points	2,111	-
b. Discount rate + 25 basis points	1,891	-
2. Inflation rate		
a. Inflation rate - 25 basis points	1,893	-
b. Inflation rate + 25 basis points	2,108	-
3. Mortality		
a. Mortality - 10% of current rates	2,029	-
b. Mortality +10% of current rates	1,966	-

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

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

	Amount (\$000)
Expected employer contributions	Nil

The significant actuarial assumptions are presented below:

<i>Weighted-average assumptions to determine benefit obligations</i>	<u>30.06.14</u>	<u>30.06.13</u>
1. Discount rate	4.50%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

<i>Weighted-average assumptions to determine defined benefit cost</i>	<u>30.06.14</u>	<u>30.06.13</u>
1. Discount rate	5.20%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected to 2011 using Scale AA

Plan Assets

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

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

The valuations are based on the draft financial statements as at June 30, 2013 as well as asset value as at June 30, 2014 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at June 30, 2014, the Fund was invested as follows:

Plan Assets by Asset Category	30.06.14		30.06.13	
	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	381,162	79%	272,074	66%
Debt securities	95,602	20%	112,387	27%
Real estate / Infrastructure	-	-	12,430	3%
Cash	6,871	1%	17,840	4%
Total	483,635	100%	414,731	100%

The share of the Fund that been notionally allocated to the University College with regards to its participation in the Defined Benefit Part of the Plan is negative \$752,000 as at June 30, 2014 (2013 - negative \$638,000).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at June 30, 2014 and June 30, 2013 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	30.06.2014	30.06.2013
Discount rate		
- BOY disclosure and current year expense	5.20% per year	5.25% per year
- EOY disclosure and following year expense	4.50% per year	5.20% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

The Actuarial Assumptions(continued)

Measurement Date	30.06.2014	30.06.2013
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 projected to 2011 using Scale AA
- EOY disclosure and following year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
Disability	None	None
Turnover Rates	Same as 2013	Age and gender based rates. See table below.
Retirement	Same as 2013	Age 57 & 10 years of service
Assumed life expectations on retirement	Retiring today (member age 32) 29.93 Retiring in 25 years (at age 57): 32.43	Retiring today (member age 57) 29.82 Retiring in 25 years (at age 57): 32.43
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

14. PENSIONS (continued)

The Actuarial Assumptions (continued)

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

The discount rate as at June 30, 2014 and June 30, 2013 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.

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 2014.

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. Fifty (50) employees were on this plan during the year ended 30 June 2014. The total amount recognised, as a pension expense during the year was \$178,734 (2013: \$281,213).

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 (2013: \$45,000).

As disclosed in Note 11, the University College is dependent on an annual grant from the Cayman Islands Government. The University College also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

- 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 \$464,198 (2013: \$507,729).
- d) At year end one staff members had outstanding balances totaling \$608 relating computer purchases made through the University College. This balance was subsequently settled.
- e) Members of the University College's Board of Governors receive no remuneration for their services.

16. OPERATING EXPENSES

	<u>30.6.14</u>	<u>3.60.13</u>
Expense Description		
Maintenance of Buildings & Grounds	\$117,003	\$118,952
Janitorial Services	108,723	93,178
Security Services	85,017	81,461
Software Fees	64,831	71,250
Printing & Stationery	34,431	47,878
Audit Fees	45,000	45,000
Advertising, Promotion and Public Relations	35,076	42,311
Maintenance of Equipment	41,340	22,420
Hospitality	27,204	21,996
Miscellaneous	2,979	20,759
Courier, Postage and Delivery Services	30,719	18,862
External Exam Expenses	69,254	16,606
Subscriptions	15,069	14,012
Student Activities, Awards and Graduation	13,070	13,682
Legal & Professional Fees	13,077	7,689
Consultancy Fees	20,956	5,177
Training And Staff Development	12,413	9,079
Publications & Distribution Expenses	-	6,303
Pandemix Steel Band	3,357	3,282
Total Operating Expenses	<u>\$739,519</u>	<u>\$659,897</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

17. SUPPLIES AND MATERIALS

Cost of sales of book and merchandise sales

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

<u>Description</u>	<u>30.06.14</u>	<u>30.06.13</u>
Inventory Items Expensed	\$388,691	\$409,939

Supplies and materials for own use

<u>Description</u>	<u>30.06.14</u>	<u>30.06.13</u>
Inventory Items Expensed	\$26,461	\$11,725

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.

18. COMMITMENTS

As at 30 June 2014 the College had the following commitments relating to a 5-year commercial lease entered into with Garston Grant and Hedy Grant in August 2013 for the housing of the Cayman Brac Campus of the University College:

Lease Obligations for the next 12 months	\$72,000
Lease Obligations for 2-5 years	\$282,000

19. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2014 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

19. FINANCIAL INSTRUMENTS (CONTINUED)

i. Fair values (Continued)

c) Current and Long Term Debt (Continued)

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.

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.

ii. 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

20. UNSUBSTANTIATED TRANSACTIONS (CONTINUED)

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 on-going probe by the Royal Cayman Islands Police Service. There were no such expenditures occurring in the year ended June 30, 2014.

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.

22. PRIOR PERIOD ADJUSTMENTS

For the prior year ended 30 June 2013

The following illustrates the adjustments for each item affected by the retrospective application of the change in accounting policy arising from the adoption of IAS 19R that is described in Note 14:

	<u>As of and for the year ended 30 June 2013</u>		
	As previously reported	Adjustment required	As Restated
<u>Statement of financial position:</u>			
Accumulated deficit	(1,368,112)	(101,000)	(1,469,112)
Accumulated other comprehensive loss	-	(64,000)	(64,000)
Total capital and reserves	3,423,627	(165,000)	3,258,627
<u>Statement of comprehensive income:</u>			
Pension expense	180,213	101,000	281,213
Total expenses	6,923,432	101,000	7,024,432
Net Deficit	(245,793)	(101,000)	(346,796)
Other comprehensive loss:			
Re-measurement of defined benefit pension	-	(64,000)	(64,000)
Total Comprehensive Loss for the Year	(245,793)	(165,000)	(410,793)
<u>Statement of cash flows:</u>			
Net Surplus / (Deficit)	(245,793)	(101,000)	(346,796)
Increase in Past Service Liability or Defined benefit pension cost charged to surplus	50,000	101,000	151,000

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

As of 1 July 2012

There are no related effects on the items reported in the statement of financial position as of 1 July 2012 presented as corresponding figures in the 30 June 2013 audited financial statements, and therefore the balances as of 1 July 2012 are not presented in these financial statements.