

NATIONAL GALLERY OF THE CAYMAN ISLANDS

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009 and 2008

NATIONAL GALLERY OF THE CAYMAN ISLANDS

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**National Gallery of the Cayman Islands
Financial Statements
June 30, 2009**

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2005 Revision)*.

As members of the Management Board, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Gallery of the Cayman Islands.

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

The financial statements fairly present the statement of balance sheets, statements of operations, statements of changes in fund balances, statements of cash flows for the financial year ended June 30, 2009.

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

- (a) completely and reliably reflect the financial transactions of National Gallery of the Cayman Islands for the year ended June 30, 2009;
- (b) fairly reflect the financial position as at June 30, 2009 and performance for the year ended June 30, 2009;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

CARL BROWN

Board Member
National Gallery of the Cayman Islands

Date: May 23, 2011

ARTHUR DZAGHGOUNI

Treasurer
National Gallery of the Cayman Islands

Date: May 23, 2011

Auditor General's Report

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

I have audited the financial statements of the National Gallery of the Cayman Islands ("the Gallery"), which comprise the balance sheet as at 30 June 2009, and the statement of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 19 in accordance with the Section 60(a) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

The system of internal control of the Gallery, common with many other organisations of similar size and purpose, is dependent upon the close involvement of the Gallery's management. The Gallery derives a substantial portion of its income from donations, fund raising events and similar activities shown on the Statements of Operations, which cannot be fully controlled until they are entered into the accounting records and are therefore not susceptible to independent audit verification. Accordingly, it was not practicable to extend our auditing procedures of such income beyond the amounts recorded.

The Gallery, in common with many other organisations of similar size and purpose, relies on financial support and services donated by related parties. As such, we were unable to determine whether any additional disclosures regarding related party support or services might be deemed necessary. In addition, the Gallery is required to disclose key management personnel compensation in total under related party disclosures. No disclosure has been made in note 12 to the Financial Statements for this area.

Qualified Opinion

In my opinion, except for the effects of such adjustments, if any, which might have been determined to be necessary had we been able to verify the completeness of income referred to in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of the Gallery, as at 30 June 2009 and its financial performance and its cash flows for the year ended 30 June 2009 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

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

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



Alastair Swarbrick, MA(Hons), CPFA
Auditor General

23 May 2011
Cayman Islands

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Balance Sheets

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	4	1,659,589	1,442,077
Restricted fixed deposits	5	319,538	313,491
Accounts receivable		128,656	268,542
Interest receivable		1,096	3,945
Inventory		771	771
Other assets		3,577	3,808
		2,113,227	2,032,634
Fixed assets	6	223,811	214,535
Total assets		CIS 2,337,038	2,247,169
Current liabilities			
Accounts payable		6,620	4,943
Fund balances			
Unrestricted general fund		448,788	394,681
Restricted building fund		1,881,630	1,847,545
		2,330,418	2,242,226
Total liabilities and fund balances		CIS 2,337,038	2,247,169

See accompanying notes to financial statements.

Approved on behalf of the Board on May 23, 2011

ARTHUR DZAGHGOUNI

Treasurer

CARL BROWN

Board Member

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statements of Operations

Years ended June 30, 2009 and 2008
(stated in Cayman Islands dollars)

	Note	2009	2008
Revenue and support from operations			
Fundraising and training income		102,665	82,606
Donations		101,983	136,664
Gallery gift shop income		9,860	4,225
Events and exhibitions income		1,440	13,714
		215,948	237,209
Other income			
Government grants	2	416,004	402,997
Membership fees		31,143	62,107
		447,147	465,104
Total revenue		663,095	702,313
Expenditure			
Administrative expenses	9	435,521	502,512
Facility expenses		80,557	118,305
Program expenses		79,200	73,465
Exhibitions expense		32,703	24,594
Other operating expenses		4,786	15,847
Gallery gift shop sales expense		56	1,754
Support services expense		0	987
		632,823	737,464
Net income/(loss) from unrestricted general fund		30,272	(35,151)
Gallery building			
Donations	3(c),8	37,643	308,547
Interest income		20,277	54,505
Net income from restricted building fund		57,920	363,052
Increase in fund balances for year	CI\$	88,192	327,901

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statements of Changes in Fund Balances

Years ended June 30, 2009 and 2008
(stated in Cayman Islands dollars)

	Note	Restricted building fund	Unrestricted general fund	Total
Balance at June 30, 2007		1,547,377	366,948	1,914,325
Net loss from unrestricted general fund for year		0	(35,151)	(35,151)
Net income from restricted building fund		363,052	0	363,052
Transfers from restricted building fund		(62,884)	62,884	0
Balance at June 30, 2008		1,847,545	394,681	2,242,226
Net income from unrestricted general fund for year		0	30,272	30,272
Net income from restricted building fund		57,920	0	57,920
Transfers from restricted building fund	6	(23,835)	23,835	0
Balance at June 30, 2009	CIS	1,881,630	448,788	2,330,418

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statements of Cash Flows

Years ended June 30, 2009 and 2008
(stated in Cayman Islands dollars)

	Note	2009	2008
Cash provided by/(applied in):			
Operating activities			
Movement in fund balances:			
Increase in fund balances for year		88,192	327,901
Add/deduct:			
Items not involving the movement of cash:			
Depreciation	6	15,319	13,910
Net changes in non-cash operating balances:			
Decrease/(increase) in accounts receivable		139,886	(192,250)
Decrease in interest receivable		2,849	4,877
Decrease in inventory		0	858
Decrease in other assets		231	1,688
Increase in accounts payable		1,677	4,943
		248,154	161,927
Investing activities			
Proceeds from maturity of fixed deposits		457,788	431,506
Purchase of fixed deposits		(463,835)	(444,780)
Purchase of fixed assets		(24,595)	(74,295)
		(30,642)	(87,569)
Increase in cash and cash equivalents for year		217,512	74,358
Cash and cash equivalents at beginning of year		1,442,077	1,367,719
Cash and cash equivalents at end of year	CI\$	1,659,589	1,442,077
Supplementary information on cash flows from operating activities			
Interest received	CI\$	23,126	59,382

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

1. Background information

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

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

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

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

As at June 30, 2009, the Gallery had 6 employees (2008: 13 employees). The Gallery is located at P.O. Box 10197, Harbour Place, Grand Cayman KY1-1002, Cayman Islands.

2. Going concern

The Gallery receives public and private grants and donations to fund its operating expenses. During the year ended June 30, 2009, the Gallery received income grants totalling CI\$416,004 (2008: CI\$402,997) and a capital grant of CI\$Nil (2008: CI\$165,000) from the Government of the Cayman Islands. At June 30, 2009, CI\$104,002 (2008: CI\$265,750) is included in accounts receivable at that date. The amount was received in full subsequent to the year end.

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

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

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies

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

(a) Basis of preparation

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

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

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

(b) Recognition of revenue

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

(c) Government grants

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

(d) Donations

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

(e) Interest income

Interest income is recorded on an accruals basis.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(f) Fixed assets

Fixed assets are recorded at cost and depreciated on a straight line basis over the terms of their useful economic lives.

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

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

(g) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash at bank and short term deposits with original maturities of three months or less.

(h) Inventory

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

(i) Restricted building fund

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

(j) Foreign exchange

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

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(k) Financial instruments

(i) Classification

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

(ii) Recognition

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

(iii) Measurement

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

(iv) Fair value measurement principles

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

(v) Gains and losses on subsequent measurement

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

(l) Collections and exhibits

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

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(i) Collections and exhibits (continued)

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

Reference	Type	Name	Estimated Value
1001 OL	Painting	Ching Ching	400
1002 OL	Painting	Picking Breadfruit	400
1003 P	Painting	Two Worlds (at least)	200
1004 P	Painting	Madman's Wife	200
1005 P	Painting	Carnival Dancers	150
1006 P	Painting	Yarmouth Hill	650
1007 P	Painting	Poinciana Trees at Government House	3,500
1008 P	Painting	Elijah and the Mantle	5,000
1009 P	Painting	Balam, the Ass	5,000
1010 P	Print	The World Praying for Peach	1,200
1011 P	Painting	Iguana	6,000
1012 P	Painting	Mangroves	5,000
1013 P	Lithograph	Silenciosa	98
1014 P	Lithograph	Obidente	98
1015 P	Lithograph	Passiva	250
1016 P	Painting	Untitled	1,250
1017 P	Painting	The Reef Painting – Study #4	300
1018 P	Painting	Fathoms #14	4,000
1020 P	Print	A/P	200
1021 P	Painting	Sheep and Chickens in Stable Interior	20,000
1022 P	Painting	The Path	750
1024 P	Painting	Pedro's Bluff	750
1025 P	Print	P/C 1/9	150
1027 P	Painting	Ponciana Tree	1,250
1028 P	Print	Asta su Abuelo	2,000
1029 P	Print	Village of Stowe, Vermont	250
1030 P	Painting	Among Friends #2	3,000
1031 P	Multimedia	Tattooed Dancer	800
Carried forward			62,846

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(l) Collections and exhibits (continued)

Reference	Type	Name	Estimated Value
Brought forward			62,846
1033 (A) P	Multimedia	Sculptures	300
1033 (B) P	Multimedia	Sculptures	300
1033 (C) P	Multimedia	Sculptures	300
1034 (C) P	Multimedia	Untitled	0
1036 P	Drawing	Couple	0
1037 P	Drawing	Egg	0
1038 P	Drawing	Two Women	0
1039 P	Print	Untitled	50
1040 P	Print	Untitled	50
1041 P	Print	Untitled	50
1042 P	Print	Untitled	50
1043 P	Print	Untitled	125
1044 P	Print	Untitled	50
1045 P	Print	Sosabravo	175
1046 P	Print	Clíoco	200
1047 P	Print	Mi casa	75
1048 P	Multimedia	Untitled	150
1049 P	Multimedia	Untitled	300
1050 P	Print	Untitled	200
1051 P	Print	Untitled	200
1052 P	Print	Untitled	200
1053 P	Print	Untitled	200
1054 P	Poster	Keith Haring <i>Art Attack on AIDS</i>	200
1055 P	Poster	Keith Haring <i>Ignorance = Bliss</i>	200
1056 P	Facsimile/Codex	Leonardo da Vinci	10,000
1057 P	Painting	Kings II	10,000
1058 P	Painting	Nickola McCoy	600
1059 P	Painting	Watd & Bending <i>Ghosts of War</i>	500
1060 S	Sculpture	Karoly Szucs <i>That Morning</i>	2,000
Carried forward			89,321

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(i) Collections and exhibits (continued)

Reference	Type	Name	Estimated Value
Brought forward			89,321
1061	Mixed media	Zoe Blout <i>Starry, starry night</i>	600
1062 P	Painting	Nasaria Suckoo Chollette <i>Sweet Ladu</i>	2,000
1063 P	Painting	Yasenyev <i>Lady with a Tray</i>	0
1064 P	Painting	Yasenyev <i>Three Palms</i>	0
1065 P	Watercolour	Bending <i>Peaceful Palms</i>	995
1066 P	Watercolour	Clifford <i>Silver Thatch</i>	750
1067 P	Watercolour	Walker <i>Boggy Sand Road</i>	800
1068 P	Watercolour	Sibley <i>A Quiet Beach with Boats</i>	600
1069 P	Watercolour	Brezinski <i>George Town Harbour</i>	425
1070 P	Watercolour	Griggs <i>Untitled II</i>	85
1071 P	Watercolour	Brezinsky <i>Pines on the Beach</i>	675
1072/3 P	Watercolour	Mann <i>Red Mangroves I & II</i>	1,000
1074 P	Watercolour	Sibley <i>Dorothy Bush's Home</i>	1,250
1075 P	Watercolour	Sibley <i>Fishermen</i>	850
1076 P	Watercolour	Bridgeman <i>Structures</i>	240
1077 P	Painting	Lasley	0
1078 P	Painting	Lasley	0
No reference	Sculpture	Al Ebanks	0
No reference	Multimedia	Bossa 1	800
No reference	Multimedia	Bossa 2	800
No reference	Multimedia	Danseurs	1,000
Total estimated value			CIS 102,191

The estimated values of the art works are determined by the staff director as the current market value at June 30, 2007.

A further valuation was performed on September 30, 2009 whereby the staff director determined the estimated market value of the works of art at CI\$150,000.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(in) Donated services

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

4. Cash and cash equivalents

	2009	2008
Current accounts	472,987	272,555
Short-term fixed deposits	1,186,602	1,169,522
	CI\$ 1,659,589	1,442,077

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

	2009	2008
Unrestricted	99,622	73,023
Restricted	1,879,505	1,682,545
	CI\$ 1,979,127	1,755,568

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

5. Restricted long term fixed deposits

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

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

6. Fixed assets

	Computer Hardware	Furniture & Fixtures	Office Furniture	Workshop Equipment	Building construction in progress	Motor vehicle	Total
Cost							
Balance at beginning of the year	25,611	40,282	12,790	21,845	178,825	9,000	288,353
Additions	760	0	0	0	23,835	0	24,595
	26,371	40,282	12,790	21,845	202,660	9,000	312,948
Depreciation							
Balance at beginning of the year	16,620	35,633	6,765	11,200	0	3,600	73,818
Charge for year	5,900	1,671	2,148	3,800	0	1,800	15,319
	22,520	37,304	8,913	15,000	0	5,400	89,137
Net book value							
June 30, 2009	CI\$ 3,851	2,978	3,877	6,845	202,660	3,600	223,811
Net book value							
June 30, 2008	CI\$ 8,991	4,649	6,025	10,645	178,825	5,400	214,535

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

7. Donated land

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

8. Donations

During the year ended June 30, 2009, the Gallery received CI\$Nil (2008: CI\$165,000) from the Government of the Cayman Islands and CI\$37,643 (2008: CI\$143,547) from private donors for its Gallery construction program.

9. Administration expenses

Administration expenses comprise the following:

	2009	2008
Staff costs	351,895	409,984
Printing and promotional costs	39,865	48,133
Motor expenses	10,904	5,065
Professional fees	10,396	3,693
Office supplies	10,291	8,258
Miscellaneous	9,928	9,916
Postage and courier	2,242	12,109
Travel expenses	0	5,354
	US\$ 435,521	502,512

The Gallery participates in the Silver Thatch Pension Plan (the "Plan"), a defined contribution pension plan, in accordance with the provisions of the Cayman Islands National Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. Contributions in the amount of CI\$15,991 (2008: CI\$18,611) were made to the Plan during the year and are included in staff costs above.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

10. Financial instruments and associated risks

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

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

(a) Fair values

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

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

(b) Market and credit risk

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

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

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

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

(c) Currency risk

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

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

11. Commitment

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

On December 16, 2005, the Gallery entered into a contract for the design development and project management of the new Gallery building. The contract guarantees a maximum monthly fee of CI\$7,500 for the duration of the contract. There is currently no set duration for the contract as they will not proceed with the construction of the Gallery until funds have been raised; it is an open-ended contract. At June 30, 2009 the entire project had a total budget of CI\$3.25 million. This was reduced to CI\$2.5 million subsequent to year end.

12. Related parties

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

13. Contingent liabilities

As of June 30, 2009 and 2008, the Gallery has no quantifiable or non-quantifiable contingent liabilities.