



University College

of the

Cayman Islands

Financial Statements For The Year Ended June 30, 2011

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 (2010 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 (2010 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 2011.

To the best of our knowledge we represent that these financial statements, except for the matters relating to note 16:

- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2010;
- (b) fairly reflect the financial position as at 30th June 2010 and performance for the year ended 30th June 2011;
- (c) comply with the provisions of the Public Management and Finance law (2010 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

October 19, 2012

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

Ansel Temporal

Chief Financial Officer

October 19, 2012

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 of the statement of financial position as at 30 June 2011, the statement of changes in net assets, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 20 in accordance with the provisions of Section 11(3) of the *University College Law (2005 Revision)*, and Section 52(3) of the *Public Management and Finance Law (2010 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. 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.

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 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 upon 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 these financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2011 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and University College Law (2005 Revision).

Emphasis of Matter

I draw attention to note 4 to the financial statements which describes the ownership of the buildings and lands presented on the statement of financial position as being that of the crown, and not yet vested in the name of the University College of the Cayman Islands.



Alastair Swarbrick, MA (Hons), CPFA

Auditor General

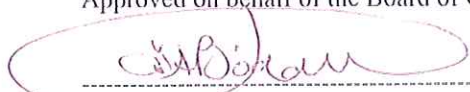
Cayman Islands

October 19, 2012

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2011
(Stated in Cayman Islands Dollars)

	NOTE	2011	2010
ASSETS			
Fixed Assets	2b,3,4		
Buildings		\$5,603,151	\$5,817,005
Land		273,090	273,090
Furniture and Equipment		209,074	263,201
Motor Vehicle		-	-
Computers		80,759	87,468
Library Books		18,378	28,655
Total fixed assets		6,184,452	6,469,419
Current Assets			
Unrestricted Cash Balance	6a	299,332	836,221
Restricted Cash Balance – Capital Fund	6b	8,671	42,000
Inventory	2d	141,959	203,786
Accounts Receivable	5	563,746	455,381
Receivable from Endowment Fund		-	2,819
Prepayments		66,226	124,607
Total current assets		1,079,934	1,664,814
TOTAL ASSETS		\$7,264,386	\$8,134,233
EQUITY AND LIABILITIES			
Capital and reserves			
Contributed Capital	7	\$4,249,942	\$4,249,942
Capital Fund	8	339,260	438,760
Accumulated Surplus		(1,639,707)	(981,996)
		2,949,495	3,706,706
Long-term Liabilities	9	2,738,615	2,613,294
Current liabilities	10	1,347,890	1,605,132
Accounts Payable			
Current Maturities of Long Term Liabilities	9	202,602	153,470
Prepaid Course Fees	11	25,784	55,631
Total Current Liabilities		1,576,276	1,814,233
TOTAL EQUITY AND LIABILITIES		\$7,264,386	\$8,134,233

Approved on behalf of the Board of Governors


PRESIDENT

DATE: October 19, 2012


CHIEF FINANCIAL OFFICER

DATE: October 19, 2012

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 2011
(Stated in Cayman Islands Dollars)

	NOTE	2011	2010
INCOME			
Government Grant	12	4,048,383	3,924,982
Tuition Fees		2,140,893	2,248,769
Book Sales		362,696	371,311
Other Income	13	530,003	722,653
Total Income		7,081,975	7,267,715
EXPENSES			
Salaries and Wages		4,944,131	4,828,293
Pension Expense	14	290,045	331,259
Operating Expenses	16	731,057	838,177
Depreciation	2b,3	484,789	529,219
Supplies and Materials	17	469,341	469,874
Utilities		425,460	397,393
Travel and Subsistence		83,210	74,385
Brac Campus Expenses		126,134	178,987
Insurance		152,876	146,003
Health Insurance		105,569	102,261
Loan Interest and Bank Charges		35,149	23,749
Bad Debts		23,499	103,370
Foreign Exchange (Gain) / Loss	2e	187,549	(143,149)
Total Expenses		8,058,809	7,879,821
Net (Deficit) / Surplus for the Year		(976,834)	(612,106)
Deficit at Beginning of the Year		(981,996)	(926,215)
Transfer (to)/from Plant fund	8	100,000	556,325
Transfer from Endowment Fund	6c	219,123	-
Accumulated Deficit at end of the Year		(1,639,707)	(981,996)

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 2011
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at June 30, 2009	\$994,346	\$4,249,942	(\$926,215)	\$4,318,073
Interest earned on capital fund balance	739	-	-	739
Transfer from Capital During the Year	(556,325)	-	556,325	-
Government Capital Injection	-	-	-	-
Net Surplus for the year	-	-	(612,106)	(612,106)
Balance as at June 30, 2010 (as previously stated)	438,760	4,249,942	(981,996)	3,706,706
Interest Earned on capital fund balance	500	-	-	500
Transfer From Capital During the Year	(100,000)	-	100,000	-
Retirement of Endowment Fund	-	-	219,123	219,123
Government Capital Injection	-	-	-	-
Net Surplus for the year	-	-	(976,834)	(976,834)
Balance as at June 30, 2011	\$339,260	\$4,249,942	(\$1,639,707)	\$2,949,495

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 2011
(Stated in Cayman Islands Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	(976,834)	(612,106)
Adjustment to reconcile Net (Deficit) / Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	484,789	529,219
Unrealised loss (gain) on foreign currency translation	187,549	(143,149)
Increase in Past Service Liability	25,000	28,000
Operating Profit before Working Capital Changes	(279,496)	(198,036)
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	(108,365)	79,893
(Increase) / Decrease in Prepayments	58,381	(60,064)
(Increase) / Decrease in Inventory	61,827	(58,871)
Increase / (Decrease) in Accounts Payable	(257,244)	170,817
Increase / (Decrease) in Current Maturities	49,132	1,339
Increase / (Decrease) in Payable to Endowment Fund	2,819	--
Increase / (Decrease) in Prepaid Course Fees	(29,847)	8,304
Cash Generated from Operations	(502,793)	(56,618)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(199,822)	(318,887)
Proceeds from Sale of Fixed Assets	--	--
Net Cash Used In Investing Activity	(199,822)	(318,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	--	--
Repayment of Long Term Loans	(87,226)	(111,637)
Interest Received on Capital Fund Balance	500	739
Transfer from Endowment Fund	219,123	--
	132,397	(110,898)
Net (decrease)/increase in cash and cash equivalents during the year	(570,218)	(486,403)
Cash and cash equivalents at beginning of year	878,221	1,364,624
Cash and cash equivalents at end of year	308,003	878,221

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30 JUNE 2011

ENDOWMENT FUND

(Stated in Cayman Islands Dollars)

	NOTE	2011	2010
CURRENT FUNDS			
Cash at Bank		-	\$152,399
SUS Fixed Deposit		-	66,611
Receivable from General Fund		-	-
Payable to General Fund		-	(3,500)
Total Funds	6c	-	\$215,511

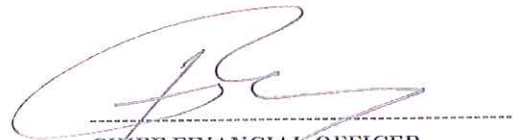
Represented by:

FUND BALANCE

- \$215,511

Approved on behalf of the Board of Governors


PRESIDENT


CHIEF FINANCIAL OFFICER

DATE: October 19, 2012

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME – ENDOWMENT FUND
FOR THE YEAR ENDED 30 JUNE 2011

(Stated in Cayman Islands Dollars)

Fund Balance at end of the Year	6c	-	215,511
	NOTE	2011	2010
INCOME			
Donations		-	-
Interest on Savings Account		101	76
Interest on Fixed Deposit Account		22	25
Total Income		123	101
EXPENSES			
Funds Utilized		215,622	-
Bank Charges		12	-
Total Expenses		215,634	-
Net Increase / (Decrease) in Fund Balance		(215,511)	101
Fund Balance at end of the Prior Year		215,511	215,410

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 2011
(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 Community College (Amendment) Law 2004 (Law 17 of 2004). 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

(i) Amendments to published standards effective July 1, 2010:

IAS 1 - Presentation of Financial Statements (amended and effective for periods beginning after January 1, 2010) – provides clarification that the potential settlement of a liability by an issue of equity is not relevant in classifying the liability as current or non-current. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the University College

IAS 24 - Related party disclosures (amended and effective for periods beginning after January 1, 2011) - simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This amendment has not impacted the disclosures required in the financial statements.

IFRS 2 - Share-based Payment (amended and effective for periods beginning January 1, 2010) – incorporates IFRIC 8, “Scope of IFRS 2” and IFRIC 11, “IFRS 2 – Group and treasury share transactions”, the amendments also expand on guidance in IFRIC 11 to address the classification of group arrangements. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the University College.

IFRS 5 – Non-current assets held for sale and discontinued operations (amended and effective for periods beginning after January 1, 2010) - specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. This amendment did not have any impact on the financial position or comprehensive income of the University College.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Relevant standards and amendments issued prior to June 30, 2010, but not effective until future periods

IFRS 9 – Financial instruments (effective for periods beginning January 1, 2013) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Financial instruments can only be measured at amortized cost or fair value. Equity securities can only be recorded at fair value. An entity can record unrealized and realized gains or losses in other comprehensive income on an instrument by instrument basis and the election to do so is at initial recognition and this election is irrevocable. Dividend income on these equity securities can be recorded in profit and loss. Debt securities can only be recorded at amortized cost if the objective is to hold financial assets for the collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest, otherwise debt securities must be carried at fair value. An entity can still designate a financial instrument at fair value through profit and loss – however, this is an irrevocable election and the entity has to be consistent with this basis from year to year.

The University College does not have any securities and it would not be foreseen that it acquires any securities other than a term deposit in the future. The University College is not in the business of investing in equities and, even though this is not applicable until 2013, this will not affect the University College.

IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments" (effective July 1, 2010) clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognized in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation is not expected to impact 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Item	Useful Life
Buildings	40 years
Furniture and Equipment	5 – 10 years
Computers	3 years
Vehicles	4 years
Library Books	2 – 8 years

d. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2011, 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 balance sheet 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 01 July 2010	273,090	9,395,487	927,715	9,285	871,925	412,454	11,889,966
Additions	-	22,130	107,120	-	70,377	195	199,822
Disposals							
At 30 June 2011	273,090	9,417,617	1,034,835	9,285	942,303	412,648	12,089,778
Accumulated Depreciation:							
At 01 July 2010	-	3,578,484	664,516	9,285	784,457	383,799	5,420,541
Depr. Charge	-	235,984	161,247	-	77,086	10,472	484,789
Depr. Charge on Disposals	-	-				-	
At 30 June 2011	-	3,814,466	825,761	9,285	861,543	394,271	5,905,326
Net Book value:							
At 30 June 2011	273,090	5,603,151	209,074	-	80,759	18,378	6,184,452
At 30 June 2010	273,090	5,817,005	263,201	-	87,468	28,655	6,469,419

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>30.06.11</u>	<u>30.06.10</u>
Trade Receivable		
Tuition	\$467,104	\$454,989
Government Bodies	494,868	373,675
Staff Advances	134,831	136,276
Unsubstantiated Expenditure	211,391	211,390
	1,308,194	1,176,330
Less: Provision for Bad Debts (Bals. > 90days)	(744,448)	(720,949)
Total	<u>\$563,746</u>	<u>\$455,381</u>
 Movement in Bad Debt Provision		
Opening Balance	\$720,949	\$617,579
Increase in general provision	23,499	103,370
Closing Balance	<u>\$744,448</u>	<u>\$720,949</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

5. ACCOUNTS RECEIVABLE (continued)

Trade Accounts Receivable	Current	31-60	61-90	> 90 Days	Total
Tuition Fees	64,525	3,663	1,934	396,982	467,104
Government Bodies	494,868	-	-	-	494,868
Staff Advances	(1,244)	-	-	136,075	134,831
Unsubstantiated Expenditure	-	-	-	211,391	211,391
Total	558,149	3,663	1,934	744,448	1,308,194

6. BANK BALANCES

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

<u>Account Type</u>	<u>30.06.11</u>	<u>30.06.10</u>
Operating Accounts:		
Current Account - \$C.I.	(47,492)	398,267
Current Account - \$U.S	3,988	(2,631)
Cashiers' Float	3,575	1,825
Total Operating Funds	<u>(39,929)</u>	<u>397,461</u>
Funds Held in Fixed Deposits:		
Capital Fund	339,261	438,760
Insurance Fund	-	-
Total Fixed Deposits - \$C.I.	<u>339,261</u>	<u>438,760</u>
Total Unrestricted Balances	<u>299,332</u>	<u>836,221</u>

- b) Restricted Balances: This represents the balance of funds donated by third parties for specific academic or capital projects to be undertaken by the University College. No payments were made from these funds during the year and no interest earned.

Restricted Balances		
Donated Capital – Scholarship & Science	8,671	42,000
Total Restricted Balances	<u>8,671</u>	<u>42,000</u>
Total Cash & Cash Equivalents	<u><u>\$308,003</u></u>	<u><u>\$878,221</u></u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

6. BANK BALANCES (continued)

- c) Endowment Fund: This balance comprises donations from the Board of Governors and the private sector plus interest thereon, which are dedicated to be used for the purpose of providing local scholarships or other resources net of amount payable to the University College. During the year the Board of Governors approved a transfer of the funds held in endowment to the operating cash account to supplement operating cash flows.

	<u>30.06.11</u>	<u>30.06.10</u>
Fund Balance	-	\$215,511

7. CONTRIBUTED CAPITAL

The University's Contributed Capital represents cumulative funds donated by the Cayman Islands Government and Private Sector Interests as shown below.

<u>Cayman Islands Government</u>	<u>30.06.11</u>	<u>30.06.10</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
	4,203,088	4,203,088
<u>Private Sector</u>	46,854	46,854
Total	<u>\$4,249,942</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. Transfers from this fund during the year amounted to \$100,000 (2010: \$556,325) to fund minor capital projects and bolster working capital. Interest of \$501 (2010: \$739) was received on these funds.

	<u>30.06.11</u>	<u>30.06.10</u>
Fund Balance	\$339,260	438,760

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2011
(Stated in Cayman Islands Dollars)

9. LONG TERM LIABILITIES

	<u>30.06.11</u>	<u>30.06.10</u>
Cayman Islands Government:		
a. Assets Vested	\$1,172,215	\$1,172,215
b. European Development Fund	1,150,080	1,019,549
	<u>2,322,295</u>	<u>2,191,764</u>
c. Public Service Pensions Board (Past Service Liability)	600,000	575,000
d. Redundancy Provisions	18,922	-
TOTAL LIABILITIES	<u>2,941,217</u>	<u>2,766,764</u>
Less Current Maturities		
a. Assets Vested	144,678	96,452
b. European Development Fund	57,924	57,018
TOTAL CURRENT LIABILITIES	<u>202,602</u>	<u>153,470</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,738,615</u>	<u>\$2,613,294</u>

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2yrs	3-5yrs	5+yrs	2011	2010
a) Assets Vested	144,678	96,452	144,678	786,407	1,172,215	1,172,215
c) European Dev Fund	57,924	117,636	180,744	793,776	1,150,080	1,019,549
					2011	2010
					2,322,295	2,191,764
					202,602	153,470
					<u>2,119,693</u>	<u>2,038,294</u>

Included in operating expenses for the year ended June 30, 2011 is interest expense of CI\$11,541 (2010: CI\$12,341) relating to these loans. If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$21,197.

- 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 has not yet been finalised.
- 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.

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10. ACCOUNTS PAYABLE

	<u>30.06.11</u>	<u>30.06.10</u>
Trade Payables	\$219,887	\$355,444
Accrued Vacation and Gratuity	464,865	553,665
Accrued Wages	38,135	1,680
Scholarship Clearing	90,601	90,601
Credit Balances in A/R	217,281	184,748
Audit Fees Provisions	122,710	130,555
Due to CIG Treasury	170,796	101,972
Other provisions and accruals	23,615	186,467
TOTAL ACCOUNTS PAYABLE	<u>\$1,347,890</u>	<u>\$1,605,132</u>

11. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2011/2012 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 \$4,048,383. (2010: \$3,924,982). 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>30.06.11</u>	<u>30.06.10</u>
Civil Service College	115,236	262,128
Dept. of Tourism TATP	125,600	156,530
Miscellaneous Receipts	262,547	228,498
Rental Income	20,375	63,917
Examination Fees	6,198	11,580
Interest Income	47	-
Total	<u>\$530,003</u>	<u>\$722,653</u>

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14. PENSIONS

The University College carried three separate classes of pension contributions for an average of sixty (60) employees during the year ended 30 June 2011.

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. One employee was on this plan during the Financial Year ended 30 June 2011.

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 actuarial valuation was performed as of June 30, 2011 by the Public Service Pension Board (“PSPB”) subsequently, indicated a plan deficit attributable to the University College of CI\$600,000 (2010: CI\$575,000).

University College of the Cayman Islands
Notes to the Financial Statements
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14. PENSIONS (continued)

Pension Expense and Reconciliation of Defined Pension Liability

	2011 CIS(000)	2010 CIS(000)
Provision at the beginning of the year	575	547
Pension expense for the year	28	28
Employer Contributions	(3)	-
	-----	-----
Provision at end of year	600	575
	-----	-----

Reconciliation of Funded status:

Company's share of Defined Benefit obligation	172	19
Fair Value of Plan Assets	529	492
	-----	-----
Funded Status	701	511
Unrecognized past service costs	-	-
Unrecognized actuarial (loss)/gain	(101)	64
	-----	-----
Defined benefit liability	600	575
	=====	=====

Components of the Pension expense for the year:

Interest Cost	1	1
Expected return on assets net of expense	30	29
Recognition of net(Gain)/Loss	(3)	(2)
	-----	-----
Pension Expense for the year	28	28
	=====	=====

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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 2011.

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-five (55) employees were on this plan during the year ended 30 June 2011. The total amount recognised, as a pension expense during the year was \$290,045 (2010:\$331,259)

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 (2010: \$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.
- 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 \$435,656 (2010 \$392,404).
- d) At year end a staff member had an outstanding balance of \$5,600 relating to a loan granted in 2007 for educational purposes. This balance was fully paid in July 2011.
- e) Members of the University College's Board of Governors receive no remuneration for their services.
- f) All key personnel and members of the University College's Board of Governors have signed a register of interest indicating no related party transactions except as disclosed in the financial statements.

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16. OPERATING EXPENSES

	2011	2010
Expense Description		
Software Fees	55,164	68,535
Printing & Stationery	32,709	20,029
Advertising, Promotion and Public Relations	53,641	49,059
Subscriptions	12,284	18,536
External Exam Expenses	102,545	89,106
Consultancy Fees	8,689	9,727
Hospitality	21,031	32,436
Courier, Postage and Delivery Services	10,017	13,542
Student Activities, Awards and Graduation	10,268	26,359
Legal & Professional Fees	52,143	65,233
Miscellaneous	14,004	17,387
Audit Fees	45,000	45,000
Training And Staff Development	8,309	3,937
Publications & Distribution Expenses	10,888	10,457
Pandemix Steel Band	6,726	8,762
Maintenance of Buildings & Grounds	72,786	97,611
Maintenance of Equipment	56,002	68,256
Janitorial Services	82,680	77,966
Security Services	76,171	116,239
Total Operating Expenses	731,057	838,177

17. SUPPLIES AND MATERIALS (OWN USE)

<u>Description</u>	<u>30.06.11</u>	<u>30.06.10</u>
Inventory items expensed	7,962	11,808

During the year educational materials held in stock, text books predominantly, are 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 2011 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	72,000
Lease Obligations for 2-5 years	78,000

19. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2011 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
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19. FINANCIAL INSTRUMENTS (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, 2011.

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.

