

National Drug Council

Financial Statements

Year ended 31 December 2021

Contents	Page
Statement of Responsibility for the Financial Statements	1
Independent Auditors' Report to the Auditor General	2-3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Worth	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-22

National Drug Council
STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the National Drug Council in accordance with the provisions of Section 22(1) of the *National Drug Council Act (2010 Revision)* and of the *Public Management and Finance Act (2020 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards.

We accept responsibility for the accuracy and integrity of the information in these financial statements and their compliance with the *National Drug Council Act (2010 Revision)* and the *Public Management and Finance Act (2020 Revision)*.

As Chairperson and Acting Director, we are responsible for establishing and maintaining a system of internal controls designed to provide a reasonable assurance that the transactions recorded in the financial statements are authorized by Act and properly record the financial transactions of the National Drug Council.

As Chairperson and Acting Director, we are responsible for the preparation of the National Drug Council financial statements and the judgments made therein.

The financial statements fairly present the statement of financial position as at 31 December 2021, statement of financial performance, statement of changes in net worth and statement of cash flows of the National Drug Council for the year ended 31 December 2021.

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

- a) completely and reliably reflect the financial transactions of the National Drug Council for the year ended 31 December 2021;
- b) fairly reflect the financial position as at 31 December 2021 and performance for the year ended 31 December 2021;
- c) comply with International Public Sector Accounting Standards as set out by the International Accounting Standards Board under the responsibility of the International Federation of Accountants.

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



Mrs. Dorothy ~~Scott~~ Manzanares (nee Scott)
Chairperson



Mrs. Brenda Watson
Programme Manager
Director(Acting)

Date: 29 April 2022

Date: 29 April 2022

National Drug Council
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Stated in Cayman Islands Dollars)

ASSETS	Notes	2021	2020
Current Assets			
Cash and cash equivalents	2(f)	350,951	369,912
Accounts receivable and prepaid expenses	4	339,266	239,194
Total Current Assets		690,217	609,106
Non-Current Assets			
Security deposit		5,500	5,500
Fixed assets	2(g), 3	6,478	9,456
Total Non-Current Assets		11,978	14,956
Total Assets		702,195	624,062
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		11,771	22,136
Accrued audit fees		15,000	15,000
Accrued accounting fees		14,000	14,000
Accrued payroll liabilities	5	10,016	29,892
Total Current Liabilities		50,787	81,028
EQUITY			
Accumulated surplus		651,408	543,034
Total Liabilities and Equity		702,195	624,062

The accompanying notes on pages 8-22 form an integral part of these financial statements.

National Drug Council
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2021
(Stated in Cayman Islands Dollars)

	Notes	2021	2020
Revenues			
Outputs to Government	6	689,355	689,355
Other income	7	32,443	14,117
Total revenues		<u>721,798</u>	<u>703,472</u>
Expenses			
Personnel emoluments	8	414,661	387,994
Rent	9	66,000	66,000
Audit and accounting fees	11	29,000	29,000
Utilities	12	14,328	14,810
Surveys and other public information projects	15	20,704	28,597
Supplies & materials		5,789	3,079
Travelling and subsistence	13	6,561	6,622
Grants & contributions – special events	14	14,397	20,010
Operating maintenance		11,855	12,134
Youth development	10	5,776	1,982
Prevention, surveys, monitoring and evaluation		9,852	8,244
Computer services		9,416	9,900
Advertising and promotion		1,212	2,175
Depreciation	3	3,873	4,883
Total expenses		<u>613,424</u>	<u>595,430</u>
Surplus for year		<u>108,374</u>	<u>108,042</u>

The accompanying notes on pages 8-22 form an integral part of these financial statements.

National Drug Council
STATEMENT OF CHANGES IN NET WORTH
For the year ended 31 December 2021
(Stated in Cayman Islands Dollars)

	Note	Accumulated Surplus/(Deficit)	Total Net worth
Balance as at 31 December 2019		434,992	434,992
Surplus for the year	19	108,042	108,042
Balance at 31 December 2020	19	543,034	543,034
Surplus Retained		108,374	108,374
Balance as at 31 December 2021		651,408	651,408

The accompanying notes on pages 8-22 form an integral part of these financial statements.

National Drug Council
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Stated in Cayman Islands Dollars)

	Notes	2021	2020
Operating activities			
Surplus Retained		108,374	108,042
Adjustment for non-cash transactions:			
Depreciation Expense	3	3,873	4,883
		<u>112,247</u>	<u>112,925</u>
Adjustments to reconcile net surplus from operations to net cash provided by operating activities:			
Decrease/(increase) in accounts receivables and prepaid expenses		(100,072)	(40,492)
Increase in accounts payable		(10,365)	8,105
Increase/(decrease) in accrued payroll liabilities		(19,876)	20,777
Increase/(decrease) in accrued accounting fees		-	8,150
Net cash (used in)/provided by operating activities		<u>(18,066)</u>	<u>109,465</u>
Investing activity			
Purchase of fixed assets	3	(895)	(7,320)
Net cash used in investing activities		<u>(895)</u>	<u>(7,320)</u>
Net change in cash and cash equivalents		(18,961)	102,145
Cash and cash equivalents, beginning of year		369,912	267,767
Cash and cash equivalents, end of year		<u>350,951</u>	<u>369,912</u>

The accompanying notes on pages 8-22 form an integral part of these financial statements.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Organization

The National Drug Council (the “NDC” or “Council”) became a statutory authority in the Cayman Islands with the passage of the National Drug Council Act, 1997 and began operations on 1 January 1998. Its functions are diverse and include primary responsibility for the development, implementation and delivery of substance abuse prevention activities; the design and administration of survey and research initiatives as it relates to substance abuse and misuse in our communities; and the facilitation of monitoring and evaluation activities throughout programmes.

The NDC continuously monitors the situation as it relates to substance misuse and abuse in the Cayman Islands, with the aim of formulating drug prevention, treatment and rehabilitation policies and programmes. This monitoring takes place via ongoing research and the maintenance of data collected via stakeholders. The NDC operated under the Ministry of Health and Wellness for the year ended 31 December 2021. During the year the NDC satisfied its mandates and obligations as agreed in the Purchase and Ownership Agreements. As at 31 December 2021, the NDC had 6 full time employees (2020: 6 employees).

2. Significant accounting policies

a) Statement of Compliance

In conformity with the Public Management & Finance Act (2020 revision), the financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Financial Reporting Standards applicable to the public sector have been used.

b) Basis of Preparation

The measurement base applied is historical cost. There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars which is the functional currency.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2021 have not been early adopted by the Council

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Council. The Council’s assessment of the impact of these new standards are set out below.

IPSAS 41, *Financial Instruments* was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, *Financial Instruments: Recognition and Measurement*. It is anticipated that IPSAS 41 will not have a significant impact on the NDC’s financial statements. This will be assessed completely closer to the effective date of adoption.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. Significant accounting policies cont'd

b) Basis of preparation (continued)

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the NDC's financial statements, but this will be assessed completely closer to the effective date of adoption.

c) Use of Estimates

The preparation of financial statements in accordance with IPSAS requires management to make judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

d) Cash and cash equivalents

Cash and cash equivalents include amounts due from bank on demand and interest-bearing deposits with an original maturity of three months or less. All cash and cash equivalents are held with a bank in the Cayman Islands.

e) Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation. Certain assets are donated and are recognised at their fair value at the time of receipt. Depreciation is calculated on a straight-line basis at the rates stipulated below based on the opening cost over the estimated useful lives of the purchased or donated assets as follows:

	Purchased Assets Useful Lives
Office equipment	3 years
Office furniture	6 years
Computer equipment	3 years
Computer software	3 years
Leasehold improvement	3 years

Disposals

Gains and losses on disposal of fixed assets are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the period end. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

2. Significant accounting policies cont'd

e) Fixed Assets (continued)

The recoverable amount is the higher of the asset's fair value less costs to sell and its value for use in service.

f) Deferred grant funds and income

Donation and grant income received for specific projects are credited to income in periods in which expenses on such projects are incurred.

g) Outputs to Government

The Cayman Islands Government (the "Government") has agreed to purchase output from the NDC. The output includes public education and information campaigns, research and statistics, policy advice and Act reform. Output revenue is recognized as income when earned. As the NDC has no other significant source of funding for its operational expense, its ability to continue as a going concern is contingent on this continued support from Government.

h) Donations (Non-exchange)

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

i) Financial Instruments

The National Drug Council is party to financial instruments as part of its normal operations.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments under conditions that are potentially favourable with another entity. Financial assets comprise of cash and cash equivalents and accounts receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payable, accrued audit fees, accrued accounting fees and accrued payroll liabilities.

Recognition

The National Drug Council recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument.

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition financial assets are recorded at amortized cost using the effective interest rate method.

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

2. Significant accounting policies cont'd

k) Financial Instruments (continued)

Short term financial assets and liabilities are recorded at historical cost, which is considered to approximate amortised cost due to the short-term nature of these instruments.

De-recognition

A financial asset is derecognized when the NDC realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

l) Foreign Currency Translation

Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated to Cayman Islands dollars at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated to Cayman Islands dollars at the rates of exchange prevailing at the statement of financial position date. Financial gains and losses arising on translation are included in the statement of financial performance.

m) Budget amounts

The original budget amounts for the financial year are as presented in the 2021 Annual Budget Statement and approved by the Parliament on 28 November 2019. Where the Budget is presented in a format that is different from the financial statements, a statement of comparison of budget and actual amounts is included in the financial statements, see note 19.

The appropriations presented in an Ownership Agreement covers a budget period of two financial years. The 2020-2021 Ownership Agreement covers the two financial years commencing 1 January 2020 to 31 December 2021. During the two-year period funds can be transferred between the financial years. Unused appropriations from the 2020 budget can be carried over to 2021 to increase budgeted amounts. The 2020-2021 appropriations lapsed at the end of the budget period ended 31 December 2021.

n) Expenses

Expenses are recognised in the accounting period in which they are incurred.

o) Operating leases

Operating lease payments net of lease incentives received are recognised as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

p) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

2. Significant accounting policies cont'd

q) Employee Benefits

Employees are entitled to salaries and wages, annual leave, time in lieu and other similar benefits which are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the National Drug Council are paid to one agreed Pension Funds provider. Contributions of 5% on behalf of the employees are made to the designated funds by the Council. Employees contribute 5% from their salaries to the funds as well.

Health insurance coverage is paid by the National Drug Council for the employees of the Council. Employees must pay for any dependents covered under the plan.

r) Contingent Liabilities and Assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligation that may require an outflow of resources and the possibility of an outflow is not considered remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

3. Fixed Assets	Office Equipment	Office Furniture	Computer Equipment	Computer Software	Leasehold Improvements	Total
<i>Costs:</i>						
Balance at 31 Dec 2019	42,470	35,593	48,703	19,139	24,020	169,925
Additions during year	-	4,900	-	-	2,420	7,320
Balance at 31 Dec 2020	42,470	40,493	48,703	19,139	26,440	177,245
Additions during year	-	500	395	-	-	895
Balance at 31 Dec 2021	42,470	40,993	49,098	19,139	26,440	178,140
<i>Accumulated depreciation:</i>						
Balance at 31 Dec 2019	41,566	35,493	42,688	19,139	24,020	162,906
Depreciation for year	452	917	3,178	-	336	4,883
Balance at 31 Dec 2020	42,018	36,410	45,866	19,139	24,356	167,789
Depreciation for year	452	816	1,798	-	807	3,873
Balance at 31 Dec 2021	42,470	37,226	47,664	19,139	25,163	171,662
Net Book value at 31 Dec 2020	452	4,083	2,837	-	2,084	9,456
Net Book value at 31 Dec 2021	-	3,767	1,434	-	1,277	6,478

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

3. Accounts receivable & prepaid expenses

	2021	2020
Accounts receivable	329,156	225,837
Prepaid expenses	10,110	13,357
	<u>339,266</u>	<u>239,194</u>

Accounts receivable is \$329,156 (2020: \$225,837) and relates to outputs supplied to the Ministry for which funds had not been received at 31 December 2021.

4. Accrued payroll liabilities

	2021	2020
Accrued vacation	5,296	2,922
Accrued salaries	13	20,274
Accrued other payroll liabilities	4,696	5,372
Accrued pension	11	1,324
	<u>10,016</u>	<u>29,892</u>

During the ordinary course of its business, staff may perform duties beyond their normal working hours. Employees who accumulate any such time are allowed to recover it in subsequent periods when they are not busy. The policy of the NDC is that a maximum of 37.5 hours (5 days) can be taken over to the next annual year. These must be used within the first quarter of the following annual year if it is suitable to the NDC, or it will be written off. The 2021 accrued time-in-lieu reflects the number of hours brought forward and eligible for carry over into the upcoming financial year (2022).

5. Outputs to Government

	2021	2020
Outputs to Government	689,355	689,355
	<u>689,355</u>	<u>689,355</u>

NDC's outputs are supplied in the normal course of business to the Ministry of Health and Wellness. The output relates to all expenses for the year based on activity and time spent on the efforts of the Council and takes into consideration office and programme supplies as well as human resource costs.

6. Other income

	2021	2020
Donations	31,225	11,044
Fundraising activities	-	1,750
Boardroom rental	200	500
Discounts	1,018	823
	<u>32,443</u>	<u>14,117</u>

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

7. Personnel emoluments

	2021	2020
Salaries & wages	337,928	318,827
Medical insurance	50,178	47,455
Pension	16,883	15,556
Motor car allowance	7,950	7,000
Movement in annual leave provision	2,374	(1,126)
Movement in accrued time-in-lieu	(652)	282
	<u>414,661</u>	<u>387,994</u>

8. Rent & future commitments

On 4 April 2020 the NDC signed a new agreement for a five-year period with International Logistics and Consulting LLC (c/o Meri Tarlova) for the premises at Caymanian Village which maintains a rate of \$5,500 per month for each of the next five years and which covers the period from 30 April 2020 to 30 April 2025. Rental payments in 2021 in the amount of \$66,000 were made payable to Meri Tarlova, therefore, future commitments for the 40 months total \$220,000 (\$66,000 of the future commitments are due within one year and the remainder of \$154,000 is due beyond one year to the end of the lease).

9. Youth Development

Peer mentoring continues in the schools and the NDC supports this initiative through education and awareness activities as well support to the awards and the Award Ceremony. Youth to Youth (Y2Y) is a youth empowerment movement which seeks to aid youth in developing leadership skills, while creatively promoting a drug-free lifestyle. In 2013, the NDC reintroduced the movement to the youth of the Cayman Islands. Portions of the Government grant income have been made to support the following Youth Development projects:

	2021	2020
Peer Mentor	1,587	1,022
Youth to Youth	4,189	960
	<u>5,776</u>	<u>1,982</u>

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

10. Audit & Accounting fees

The fees relate to statutory audit fee and professional accountancy services amounting \$15,000 (2020: \$15,000) and CI\$ 14,000 (2020: \$14,000) respectively for the year ended 31 December 2021.

11. Utilities

	2021	2020
Electricity	5,303	4,966
Telephone	8,666	9,508
Water	359	336
	<u>14,328</u>	<u>14,810</u>

12. Travelling and subsistence

Portions of the Government grant income have been made to support training and development initiatives of the Council.

	2021	2020
Travel expense	3,048	3,776
Prevention Officer Training	3,150	2,680
Programme Manager Training	363	166
	<u>6,561</u>	<u>6,622</u>

13. Grants & Contributions – Special events

A portion of the Government purchases of outputs and public contributions through donations have been made to support the following significant special events:

	2021	2020
Arrive Alive 345 Campaign	14,397	20,010
	<u>14,397</u>	<u>20,010</u>

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

14. Surveys and other public information projects

Portions of the Government grant income and public contributions have been made to support the following significant surveys and other public information projects:

	2021	2020
SPSS Expense	1,160	1,102
Teleform	1,288	1,167
Census and Surveys	18,256	26,328
	<u>20,704</u>	<u>28,597</u>

15. Related parties

The NDC is a statutory body of the Government of the Cayman Islands. The Council is economically dependent upon the Ministry of Health and Wellness for the purchase of its services in accordance with the purchase agreement with Government. For the year ended 31 December 2021, the Council billed \$689,355 to the Government for services sold (2020: \$689,355). Of the billed amount, \$329,156 was receivables as at 31 December 2021 (2020: \$225,837). This amount is included in accounts receivable in the Statement of Financial Position.

Key Management Personnel

The pension and health insurance benefits provided to key management personnel are the same as that which is provided for all employees. Following the resignation of the Director, effective 30 September 2019, the Programme Manager has assumed the role in an acting capacity, effective 1 October 2019. Total remuneration, therefore, for the 2021 period for senior management, was \$106,272 (2020 \$102,930).

Governing Council members

There are currently 13 members that make up the NDC Governing Council. No stipend is paid to any of the members (2020: \$Nil).

Dividend Payments

Pursuant to Section 16 of the Public Management and Finance Act (2020 Revision), Section 39(3) of the Public Authorities Act, 2017, and section 19 of the Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies, taken together, SAGC's inclusive of the NDC is exempt from delivering dividend payments as NDC have met the prescribed criteria set out in section 19 for exclusions. The decision takes effect upon written request to the Accountant General as required by the regulations. Note that management deems that the NDC has met all requirements and the request has been submitted as of 25th of March 2022. Final response from Accountant General is pending.

Cabinet granted approval pursuant to section 39(2) of the Public Authorities Act 2020, to exempt Statutory Authorities and Government Owned Companies from paying-over to Core Government surplus cash reserves as at 31 December 2021.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

16. Other Disclosures

Suspected Fraud

During the year 2011/12, management became aware of suspicious activity relating to its cash balances. Specifically, an amount of around CI\$5,500 had been misappropriated from its bank accounts. A further unquantified amount had been misappropriated through fraudulent time booking leading to wage overpayment to a former employee. The matter is under investigation with the Courts and management awaits its conclusion. During the year ended 31 December 2021 the Council has not been provided with an update on the matter.

17. Financial instrument risks

The Council is exposed to a variety of financial risks including credit risk, exchange rate risk and liquidity risk. The Council's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2021 Revision).

Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Council. Financial assets which potentially expose the Council to credit risk comprise cash and cash equivalents and receivables.

The Council is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The Council is also exposed to a significant concentration of credit risk in relation to receivables transactions, all of which are due from the Cayman Islands Government. No credit limits have been established. As at 31 December 2021, no provision for doubtful debts (2020:\$0) has been made on these receivables as management considers these debts to be recoverable in full.

The carrying amount of financial assets recorded in the financial statements represents the Council's maximum exposure to credit risk. No collateral is required from debtors.

Exchange rate risk

The Council does not have significant exposure to currency exchange rate risk as the Cayman Islands dollar is pegged to the United States Dollar.

Liquidity risk

Liquidity risk is the risk that the Council is unable to meet its payment obligations associated with its financial liabilities when they are due.

The Council maintains sufficient cash balances held in bank accounts which enables the entity to meet its payment obligations as they are due.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

18. Statement of comparison of budget and actual amounts

For the year ended 31 December 2021

	Variance Notes	2021 Actual	2021 Budget	Variance (Actual vs Budget)
Revenues				
Outputs to Government		689,355	689,355	-
Other Income	a	32,443	22,500	9,943
Total revenues		<u>721,798</u>	<u>711,855</u>	<u>9,943</u>
Expenses				
Personnel emoluments	b	414,661	546,321	(131,660)
Rent		66,000	66,000	-
Prevention, surveys, monitoring and evaluation	c	30,556	19,269	11,287
Travelling and subsistence	d	6,561	15,700	(9,139)
Audit and accounting fees	e	29,000	29,000	-
Utilities	f	14,328	18,150	(3,822)
Computer services	g	9,416	-	9,416
Operating maintenance		11,855	11,110	745
Youth development	h	5,776	-	5,776
Advertising & promotion	i	1,212	-	1,212
Depreciation		3,873	1,805	2,068
Supplies & materials		5,789	4,500	1,289
Grants & contributions	j	14,397	-	14,397
Total expenses		<u>613,424</u>	<u>711,855</u>	<u>98,431</u>
Net surplus/(deficit) for the year	k	<u>108,374</u>	<u>-</u>	<u>108,374</u>

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

19. Statement of comparison of budget and actual amounts cont'd

ASSETS	Variance Notes	2021 Actual	2021 Budget	Variance (Actual vs. Budget)
Current assets				
Cash and cash equivalents	l	350,951	281,367	69,584
Accounts receivable	m	329,156	235,740	93,416
Prepaid expenses	m	10,110	16,600	(6,490)
Total Current Assets		690,217	533,707	156,510
Security deposit		5,500	-	5,500
Fixed assets	n	6,478	414	6,064
Total assets		702,195	534,121	168,074
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	o	11,771	7,762	4,009
Accrued vacation	p	5,296	-	5,296
Accrued audit Fees	e	15,000	15,000	-
Accrued other payroll liabilities	q	4,720	12,906	(8,186)
Accrued accounting	e	14,000	9,500	4,500
Total Current Liabilities		50,787	45,168	5,619
EQUITY				
Accumulated surplus		651,408	488,953	162,455
Total Liabilities and Equity		702,195	534,121	168,074

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

19. Statement of comparison of budget and actual amounts cont'd

Statement of Cash Flows	2021 Actual	2021 Budget	Variance (Actual vs. Budget)
Net cash (used in)/provided by operations	(18,066)	43,763	(61,829)
Investing activity			
Purchase of fixed assets	(895)	-	(895)
Net cash (used in) investing activities	(895)	-	(895)
Net change in cash and cash equivalents:			
Cash and cash equivalents, beginning of year	369,912	237,604	132,308
Net Change in Cash and cash equivalents	(18,961)	43,763	(62,724)
Cash and cash equivalents, end of year	350,951	281,367	69,584

- a. Other Income (over by \$9,943): Donations and fundraising activities exceeded the budgeted amounts largely due to a donation which was originally expected in the 2020 financial year for the amount \$11,225, which was received during the 2021 financial year.
- b. Personnel emoluments (under by \$131,660): In the 2021 budget year, the Council would have been prepared for 8 full-time employees. However, due to changes in the staffing levels during the current financial year, there were positions vacant for a period of time. One of the three positions was filled in the third quarter in the capacity of Research Analyst, while the other two remained vacant. This resulted in lower than budgeted personnel costs; salaries, pensions, motor car upkeep and health insurance payments.
- c. Prevention, surveys, monitoring and evaluation and other public information projects (over by \$11,287): The majority of the variance represents the additional census conducted Her Majesty Cayman Islands Prison Services Survey (HIMCIPSS) 2021 & Nicotine Dependence Survey; and the actual cost of the data analysis and reporting which was conducted externally as the post of Research Analyst remained vacant. Therefore the actual costs incurred was over budget.
- d. Travelling and Subsistence (under by \$9,139): Variance is related to the overseas travel expenses both between islands, regionally and internationally which were significantly reduced in for NDC staff, Youth to Youth leaders and participants as a result of the COVID-19 Global Pandemic shutdown and ongoing travel restrictions. .
- e. Utilities (under by \$3,822): While the NDC continually seeks methods to reduce its utility expenses, the variance is also as a result of the COVID-19 Global Pandemic ongoing restrictions which limited the frequency of use of our offices and boardroom for reoccurring meetings and groups.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

19. Statement of comparison of budget and actual amounts cont'd

- f. Computer Services (over by \$9,416): The variance is as a result of the ongoing upgrades, service and support to the computer network, server and additional costs incurred due to the services required to facilitate onboarding new staff and ensuring all staff had remote access. The variance is also due to the parts replacement, purchase of supplies and repairs to the multifunction device (printer) to allow for its continued use. These costs were not budgeted.
- g. Youth Development (over by \$5,776): Variance represents the allocation of funds towards the increased efforts of the organisation in its Youth-To-Youth (Y2Y), Youth-to-Youth Junior (Y2Y Jr.) Grand Cayman and Cayman Brac, Peer Mentoring and Boys2Men Programming development. These costs in 2021 were separated from the overall theme of Prevention, surveys, monitoring, and evaluation in order to accurately demonstrate the development activities in these areas.
- h. Advertising & Promotion (over by \$1,212): the variance relates to the costs associated with advertising in newsprint for the vacant positions in 2021. These costs would not have been budgeted.
- i. Grants and Contributions (over by \$14,397): Variance relates mainly to the Arrive Alive 345 Campaign which includes the costs of the annual Designated Driver and Purple Ribbon Bus operations in 2021. Funds are mostly received outside of budgeted government funding and are acquired specifically through private and corporate sector contributions based on the actual cost associated with the annual campaign and requisite prevention programming. These costs were not budgeted.
- j. Surplus (over by 108,374): the budget is prepared on a break-even basis. Therefore, the surplus is due to the council billing and recognizing its full appropriation for 2021 and the various savings noted in the analysis above where the most savings was realized in the personnel emoluments as described in point b. and further savings as achieved due to the COVID-19 impact leading to a reduced spend.
- k. Cash and Cash equivalents (over by \$69,584): The variance is related to reduced staffing, resulting in lower than budgeted personnel expenses and the reduced spend from the COVID-19 impact. This ultimately led to a higher actual cash balance at year end.
- l. Accounts Receivables and Prepaid Expenses (over by \$86,926) - The NDC completes and prepares invoices for outputs as they are delivered. Much of the variance represents the third and fourth quarter government funding being outstanding at period end. The budget did not contemplate such a high receivable at year end.
- m. Fixed Assets (over by \$6,064): The variance relate to capital expenditures for various office and computer equipment and furniture and the donations of capital items such as office furniture not budgeted for in the two-year budget period ended December 31, 2021.
- n. Accounts Payable (over by \$4,009): the variance represents 50% of the annual Arrive Alive 345 Campaign expenses as discussed under j. above, not paid in full prior to year-end. We remit 50% in the current year and hold 50% until the completion of the campaign/event.
- o. Accrued Vacation (over by \$5,296): Employees are due and expected to take leave in the year assigned, which is reflected in the \$nil budget amount. Due to staff shortages and organisational commitments employees were not always able to leave as requested in 2021.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

19. Statement of comparison of budget and actual amounts cont'd

- p. Accrued other payroll liabilities (under by \$8,186): in the 2021 budget year the Council budgeted for 8 full-time employees of which 6 positions were fully staffed at year end. The variance relates to the actual costs of the accrued and other payroll liabilities which were reduced due to the lower than budgeted staffing levels.

20. Subsequent events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to 29 April 2022 which is the date that the financial statements were available to be issued.