Financial Statements of

CAYMAN ISLANDS NATIONAL MUSEUM

June 30, 2012

CAYMAN ISLANDS NATIONAL MUSEUM

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CAYMAN ISLANDS
NATIONAL
MUSEUM

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by Cayman Islands National Museum in accordance with the provisions of the *Public Management and Finance Law (2012 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 (2012 Revision).*

As Chairman and Director, 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 Cayman Islands National Museum.

As Chairman and Director we are responsible for the preparation of Cayman Islands National Museum financial statements and for the judgements made in them.

The financial statements fairly present the financial position (except for fixed assets), financial performance (except for the completeness of revenue), changes in equity, and cash flows the financial year ended June 30, 2012.

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

(a) are completely and reliably reflect the financial transactions of the Cayman Islands National Museum for the year ended June 30, 2012;
(b) fairly reflect the financial position as at June 30, 2012 and performance for the year ended June 30, 2012;
(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.

Jeana Ebanks
Chairman
Cayman Islands National Museum

Date: August 15, 2013

Peggy Leshikar-Denton, Ph.D.,
Director
Cayman Islands National Museum

Date: August 15, 2013

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Auditor General's Report

To the Board of Control and Trustees of the Cayman Islands National Museum

In accordance with section 60(1)(a)(ii) of the *Public Management and Finance Law (2012 Revision)*, I have audited the accompanying financial statements of the Cayman Islands National Museum (the "Museum"), which comprise the statement of financial position as at June 30, 2012, and the statements of financial performance, changes in equity and cash flows for the two year period from July 1, 2010 to June 30, 2012 and a summary of significant accounting policies and other explanatory notes.

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 and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 Museum'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 Museum'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 we have obtained is sufficient and appropriate to provide a basis for my qualified opinion. In rendering my qualified opinion on the financial statements of the Museum, 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.

(continued)

Auditor General's Report

To the Board of Control and Trustees of the Cayman Islands National Museum (continued)

Bases for Qualified Opinion

During the period from July 1, 2010 to June 30, 2012, the Museum changed the system that maintained the fixed asset register and this resulted in a material adjustment to accumulated depreciation and accumulated surplus (refer note 14). I was unable to form an opinion on the accuracy of this adjustment or the fixed assets recorded in the statement of financial position at June 30, 2012 and the related impact that this would have on the accumulated surplus and equity of the Museum at June 30, 2012.

In common with many other organisations of similar size and purpose, the Museum derives a substantial portion of its income from sources which cannot be fully controlled until they are entered into the accounting records and are therefore not susceptible to independent audit verification, but rather dependent upon the close involvement of the Museum's management. Accordingly, I was unable to form an opinion on the completeness of product sales, admissions, membership dues, fundraising income and donations recorded in the statement of financial performance for the two year period from July 1, 2010 to June 30, 2012.

Qualified Opinion

In my opinion, except for the effects of such adjustments, if any, as might have determined to be necessary in respect of the matters discussed in the "Bases for Qualified Opinion" paragraphs above, the financial statements present fairly, in all material respects, the financial position of the Museum as at June 30, 2012 and its financial performance and its cash flows for the period from July 1, 2010 to June 30, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 8, which discloses that the Museum is dependent upon the financial support of the Government of the Cayman Islands to enable it to meet its obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Museum's ability to continue as a going concern. Our opinion is not qualified in respect to this matter.

(continued)

Auditor General's Report

To the Board of Control and Trustees of the Cayman Islands National Museum (continued)

Other Matters:

Non-compliance with Laws

The Museum did not comply with the requirements of the *Public Management and Finance Law (2012 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 Museum'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 the non-compliance with the *Public Management and Finance Law (2012 Revision)*.

Non-Compliance with International Financial Reporting Standards

IAS 1 "Presentation of Financial Statements" requires that an entity presents a complete set of financial statements at least annually. The current period's information in these financial statements has been prepared for a two year period and is therefore not in compliance with the requirements of International Financial Reporting Standards.

Comparative information for the period ending June 30, 2010

The comparative information for the period ending June 30, 2010 was unaudited due to a Disclaimer of Opinion being issued on the corresponding figures.



Alastair Swarbrick, MA(Hons), CPFA
Auditor General

August 15, 2013
Cayman Islands

CAYMAN ISLANDS NATIONAL MUSEUM

Statement of Financial Position

June 30, 2012
(expressed in Cayman Islands dollars)

	Note		2012	2010 As restated (note 14)
Assets				
Current assets				
Cash and cash equivalents	3		389,402	640,755
Accounts receivable			10,746	207,385
Deposits and prepaid expenses			65,091	15,427
Inventories	4		78,195	145,397
			543,434	1,008,964
Non-current assets				
Fixed assets	5		2,659,745	2,936,541
Collections, exhibits and artifacts	1,2		0	0
			2,659,745	2,936,541
Total assets		CI$	3,203,179	3,945,505
Liabilities and equity				
Liabilities				
Accounts payable and accrued liabilities			253,121	234,207
			253,121	234,207
Equity				
Accumulated surplus			1,785,298	2,568,240
Restricted funds	6		88,635	66,933
Contingency reserve	7		200,000	200,000
Contributed capital			876,125	876,125
			2,950,058	3,711,298
Total liabilities and equity		CI$	3,203,179	3,945,505

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on August 15, 2013

JEANA EBANKS
_____ Chairperson

PEGGY LESHIKAR-DENTON
_____ Director

CAYMAN ISLANDS NATIONAL MUSEUM

Statement of Financial Performance

Two year period from June 30, 2010 to June 30, 2012
(expressed in Cayman Islands dollars)

	Note		2012 (24 months)	2010 (36 months) As restated (note 14)
Revenues				
Government grants and contributions	8		1,311,460	2,410,255
Product sales			169,293	189,565
Admissions			64,909	25,619
Rental income			45,800	21,450
Membership dues			7,515	3,389
Fundraising income and donations			5,342	33,164
Interest and other income			267	23,641
			1,604,586	2,707,083
Expenses				
Staff costs	9		976,296	1,280,883
Facility expenses	9		372,880	581,790
Depreciation	2,5		385,592	17,540
Administration and other expenses			222,008	524,185
Rent expenses			245,592	491,644
Cost of goods sold			185,160	97,814
			2,387,528	2,993,856
Temporary restricted funds				
Contributions received	6		23,041	5,937
Expenditure	6		(1,339)	(2,250)
			21,702	3,687
Collection items purchased but not capitalized			0	9,895
Loss for the period		CI$	(761,240)	(292,981)

See accompanying notes to financial statements.

CAYMAN ISLANDS NATIONAL MUSEUM

Statement of Changes in Equity

Two year period from June 30, 2010 to June 30, 2012
(expressed in Cayman Islands dollars)

		Accumulated surplus	Contingency reserve (note 7)	Temporary restricted funds (note 6)	Contributed capital	Total
Balance at June 30, 2007		1,813,173	200,000	63,246	401,125	2,477,544
Correction of prior period error (note 14)		1,051,735	0	0	0	1,051,735
Restated balance at June 30, 2007		2,864,908	200,000	63,246	401,125	3,529,279
Loss for the period		(292,981)	0	0	0	(292,981)
Contributed capital		0	0	0	475,000	475,000
Transfer to unrestricted from restricted funds for the period		(3,687)	0	3,687	0	0
Restated balance at June 30, 2010		2,568,240	200,000	66,933	876,125	3,711,298
Loss for the period		(761,240)	0	0	0	(761,240)
Transfer to unrestricted from restricted funds for the period		(21,702)	0	21,702	0	0
Balance at June 30, 2012	CI$	1,785,298	200,000	88,635	876,125	2,950,058

See accompanying notes to financial statements.

CAYMAN ISLANDS NATIONAL MUSEUM

Statement of Cash Flows

Two year period from June 30, 2010 to June 30, 2012
(expressed in Cayman Islands dollars)

	Note		2012	2010 As restated (note 14)
Cash provided by/(used in):				
Operating activities				
Loss for the period			(761,240)	(292,981)
Adjustments for items not involving cash:				
Depreciation	5		385,592	17,540
Net changes in operating assets and liabilities:				
Accounts receivable			196,639	365,708
Deposits and prepaid expenses			(49,664)	(651)
Inventories			67,202	(40,606)
Accounts payable and accrued expenses			18,914	218,915
			(142,557)	267,925
Investing activities				
Purchase of fixed assets	5		(108,796)	(1,764,365)
			(108,796)	(1,764,365)
Financing activities				
Capital contribution			0	475,000
			0	475,000
Net decrease in cash and cash equivalents			(251,353)	(1,021,440)
Cash and cash equivalents at beginning of year			640,755	1,662,195
Cash and cash equivalents at end of year		CI$	389,402	640,755

See accompanying notes to financial statements.

1. Background information

The Cayman Islands National Museum (the "Museum") was established on May 3, 1979 by enactment of the Museum Law, 1979. Its purpose is to establish for posterity a collection of material evidence concerning man and his environment, with primary but not exclusive reference to the Cayman Islands, and to arouse public interest in Caymanian heritage and, through proper use of the collection, to increase knowledge and appreciation of, and respect for Caymanian heritage.

The Museum holds a collection in excess of 7,500 artifacts that have been donated, transferred, purchased or found, with the majority being donations. Artifacts are documented in the Museum's Accession Register, and are used in research or are held in exhibition for public service. The research collections (those that are not on exhibit at the Museum) are kept at the Museum Support Facility in an environmentally controlled vault for preservation. The Museum also operates a gift shop and leases a space to a third party, which operates a cafe.

On September 12, 2004, the island of Grand Cayman was directly impacted by the effects of Hurricane Ivan which caused widespread and significant damage. The Museum suffered damage to its building, support facilities and collection, as a result of which, the Museum was closed to the public from September 2004.

During November 2004, the National Museum Gift Shop was reopened to the public and the Museum exhibition area was reopened in September 2009.

The Museum falls under the ownership of the Ministry of Health, Environment, Youth, Sports and Culture of the Cayman Islands Government.

2. Significant accounting policies

With the exception of the departure from IAS 1 "Presentation of Financial Statements" which requires an to entity present a complete set of financial statements at least annually, the financial statements have been prepared in accordance with International Financial Reporting Standards.

(a) Reporting periods

The financial statements as at June 30, 2012 are based on the two year period from June 30, 2010, to June 30, 2012 relative to the financial statements as at June 30, 2010 which were based on a three year period. The financial performance and cash flows of the Museum are therefore not comparable with the prior period.

2. Significant accounting policies (continued)

(b) Cash and cash equivalents

The Museum considers all cash and short-term deposits with a maturity of three months or less to be cash or cash equivalents.

(c) Accounts receivable

Receivables are measured at cost less any allowance for doubtful accounts.

The allowance for doubtful accounts is calculated using specific identification by management of accounts which are long overdue.

(d) Inventories

Inventories consist of products sold in the Museum shop and are valued on an average cost basis less an allowance for obsolete and slow moving items.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

Depreciation is charged to write off the cost of the asset over their estimated useful life of 5 years, using the straight-line method. Leasehold improvements and permanent exhibits are depreciated over the remaining period of the lease.

Cost comprises the purchase price of an asset and any directly attributable costs of bringing the asset to working condition for its intended use such as import duties, initial delivery and storage cost.

Repairs and maintenance are charged to expenses as incurred.

(f) Income recognition

Income on the sale of goods is recognized in the statement of financial performance at the point of the sale. Rental income, interest and other income are recognized on an accruals basis. Income earned on admissions, membership dues, fundraising, and donations are recorded in the period in which the payment is received.

(g) Government grants

Government grants are provided and accrued for on a quarterly basis for financial support. Certain grants cover staff costs and related expenditures of the Museum. Grant income and expenditures are recorded gross in the financial statements.

2. Significant accounting policies (continued)

(h) Foreign currency translation

Transactions during the year and assets and liabilities at the statement of financial position dates denominated in United States dollars are translated into Cayman Islands dollars at a fixed rate of US$1.00 = CI$0.82. Gains and losses on foreign currencies, if any, are included in administration and other expenses.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

(j) Collections, Exhibits and Artifacts

Consistent with the practice followed by many museums, collections, exhibits and artifacts purchased and donated are not recorded in the statement of financial position. The costs of all objects purchased are recorded as an expense in the statement of financial performance. Objects acquired by gift or donations are not recorded in these financial statements since it is difficult to obtain an objective measurement or valuation of these items.

(k) Contributed services

During the course of the period covered by these financial statements, unpaid volunteers have made significant contributions of their time and resources to manage the Museum's activities. The value of these contributions is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

(l) Fair value of financial instruments

The fair value of financial instruments approximates their carrying value principally due to the short-term nature of such instruments.

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favorable or an equity instrument of another enterprise. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

2. Significant accounting policies (continued)

(ii) Recognition

The Museum recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in financial liabilities measured at amortised cost are recognised in the statement of financial performance.

Financial assets comprise cash and cash equivalents, accounts receivable and deposits. Financial liabilities comprise of accounts payable. Management determines the classification of its financial assets and liabilities at initial recognition.

(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, while for financial liabilities cost is the fair value of consideration received.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Museum has transferred all the risks and rewards of ownership. A financial liability is derecognised when it is discharged, cancelled or expires.

(m) Restricted funds

Restricted funds are derived from gifts, grants, and contracts received by the Museum for operating purposes but restricted by donors, grantors, and outside agencies as to the specific purpose for which the funds may be expended. As these funds have traditionally not been reimbursable, and the Museum does not consider there to be a legal or constructive obligation to do so, they form a part of the Museum's equity position as reflected on the Statement of Financial Position. Contributions that are restricted for specific purposes by the donor must be used as intended and cannot fund other activities or general operations without the proper consent of the original donor.

3. Cash and cash equivalents

		2012	2010
Current accounts		155,167	297,859
Fixed deposits		234,235	342,896
	CI$	389,402	640,755

Included in cash and cash equivalents are temporary restricted funds of CI$88,635 (2010: CI$66,933) which may only be used as described in Note 6. In addition, CI$200,000 of the fixed deposit balance is considered to comprise part of the Museum's contingency reserve (see Note 7).

4. Inventories

		2012	2010
Inventory at average cost		104,005	145,397
Less: provision for obsolete inventory		(25,810)	0
	CI$	78,195	145,397

5. Fixed assets

Fixed assets consist of the following:

	Furniture, fixtures & equipment	Computer hardware & software	Leasehold improvements	Permanent exhibits	Vehicles	Total
Cost:						
Balance at beginning of period	350,905	123,742	2,101,071	442,804	24,900	3,043,422
Additions during the period	9,988	2,174	96,634	0	0	108,796
	360,893	125,916	2,197,705	442,804	24,900	3,152,218
Accumulated depreciation:						
Balance at beginning of period	(343,938)	(61,018)	(734,302)	0	(19,358)	(1,158,616)
Adjustment to accumulated depreciation (note 14)	339,658	40,284	673,251	0	(1,458)	1,051,735
Restated opening accumulated depreciation	(4,280)	(20,734)	(61,051)	0	(20,816)	(106,881)
Depreciation expense during the period	(144,379)	(44,425)	(163,102)	(29,602)	(4,084)	(385,592)
	(148,659)	(65,159)	(224,153)	(29,602)	(24,900)	(492,473)
Net book value at June 30, 2012 CI$	212,234	60,757	1,973,552	413,202	0	2,659,745
Net book value at June 30, 2010 CI$	346,625	103,008	2,040,020	442,804	4,084	2,936,541

6. Temporary restricted funds

Fund balances are temporarily restricted for:

Archaeology

During the period ended December 31, 1994, a fundraiser was held to provide funds for marine archaeological research and equipment. The net proceeds from the fundraiser were placed in a restricted account for similar expenditures. At June 30, 2012 and 2010, CI$12,812 remained in the temporary restricted account.

6. Temporary restricted funds (continued)

Powell's

During the period ended June 30, 1998, the Museum received a government grant of CI$25,000 for specific projects including creating a business plan, architectural surveys, condition reports, and maintenance planning. As at June 30, 2012 and 2010, CI$20,250 remained in the temporary restricted account.

McCoy Prize Award

During the period ended June 30, 2003, Harris McCoy donated CI$1,000 to hold for the winner of the McCoy prize. A further CI$20,900 was donated by the chairman during the period ending June 30, 2006. As at June 30, 2012 and 2010, CI$1,918 remained in the temporary restricted account.

New Building

During the period ended June 30, 2004, the Museum received donations in the amount of CI$9,840 for the new museum building. As at June 30, 2012 and 2010, CI$9,840 remained in the temporary restricted account.

Maritime Heritage Trail

During the period ended June 30, 2004, the Department of Tourism donated CI$20,000 for the Maritime Heritage Trail. As at June 30, 2012 and 2010, CI$1,412 remained in the temporary restricted account.

Renovations & Recovery

During the period ended June 30, 2006, the Museum received donations in the amount of CI$20,701 for the recovery of any material evidence of artistic, historic or scientific significance to Cayman Islands. As at June 30, 2012 and 2010, CI$20,701 remained in the temporary restricted account.

Educational Programme

During the period ended June 30, 2012, the Museum received a donation of CI$3,041. This was to be applied to the Museum's educational Fund. As at June 30, 2012 CI$1,702 remained in the temporary restricted account.

Webster Foundation

During the period ended 30 June 2012, the museum received a donation of CI$20,000 to be used to acquire artefacts and the costs of displaying such artefacts. As at June 30, 2012 CI$20,000 remained in the temporary restricted account.

6. Temporary restricted funds (continued)

Following is the movement of temporary restricted fund during the year:

	Archaeology	Powell's	McCoy Prize	New Building	Maritime Heritage Trail	Educational Programme	Renovations& Recovery	Webster Foundation	**Total**
Balance at June 30, 2010	12,812	20,250	1,918	9,840	1,412	0	20,701	0	66,933
Temporary restricted:									
Receipts:									
Donations	0	0	0	0	0	3,041	0	20,000	23,041
Disbursements:									
Prizes and awards	0	0	0	0	0	(1,339)	0	0	(1,339)
Balance at June 30, 2012	**12,812**	**20,250**	**1,918**	**9,840**	**1,412**	**1,702**	**20,701**	**20,000**	**88,635**

7. Contingency reserve

At June 30, 2012, the Museum's equity includes a contingency reserve of CI$200,000 (2010: CI$200,000). The contingency reserve was established by the Board of Control and Trustees as a precautionary measure to meet costs of overcoming any disaster that might befall the Museum in the future and is equal to the estimated operating costs of the Museum for a six month period. The contingency reserve is in the form of fixed deposits included in cash and cash equivalents (see note 3).

8. Government grants

During the two year period ending June 30, 2012, grants totalling CI$1,311,460 (2010: CI$2,410,255) were received from the Cayman Islands Government, of which CI$Nil (2010: CI$203,390) is included in accounts receivable at June 30, 2012.

The significant damage caused by Hurricane Ivan on September 12, 2004 and the subsequent closure of the Museum resulted in significant business risks that cast uncertainty over the Museum's ability to continue as a going concern. The Museum is unable to discharge its obligations as they fall due in the ordinary course of business without the grants or equity injections (see note 9) received from the Government.

9. Related party transactions

Controlling Entity

The Museum is a wholly owned statutory entity of the Cayman Islands Government. Control has been transferred during the period from the Ministry of Education, Human Resources and Culture to the Ministry of Health, Environment, Youth, Sports and Culture.

Museum Building

Under the terms of a fifty year agreement with the Governor of the Cayman Islands dated June 5, 1990, the Museum leases its building, the Old Courts Building, and the accompanying land for annual consideration of a nominal amount.

Property Insurance

The Cayman Islands Government allocates the insurance premium, which covers the building and its contents, of the Old Courts Building in Grand Cayman and the Cayman Brac Museum.

During the two year period ended June 30, 2012, total insurance premium allocated to the Museum amounted to CI$103,870 (2010: CI$28,639). This amount is shown as facilities expenses in the statement of financial performance.

Ministry employees

During the two year period ended June 30, 2012 the Director for the Museum was employed directly by the Museum. During the three year period ended June 30, 2010, the Director for the Museum was employed under the Ministry and the total remuneration paid by the Ministry to the Director amounted to CI$86,748.

The Curations Manager, who is an employee of the Ministry, works for the Museum on a secondment contract. The total remuneration paid by the Ministry to the Curations Manager during the two year period ended June 30, 2012 amounted to CI$108,424 (2010: CI$201,848) during the period.

The Director's (for the period ending June 30, 2010) and the Curations Manager's remuneration, the details of which are not available to the Museum, formed part of the Ministry's expenditures and are not reflected in the statement of financial performance of the Museum.

9. Related party transactions (continued)

Accounting Services

A member of the Museum's Board of Control is a partner at Deloitte in the Cayman Islands. Deloitte provides accounting services to the Museum.

The total accounting fees paid to Deloitte during the two year period ended June 30, 2012 amounted to CI$24,631 (2010: CI$4,412).

Gift Shop Sales

During the two year period ended June 30, 2012, total Museum sales to other Government entities for the provision of items such as national flags, pins and coat of arms amounted to CI$2,227 (2010: CI$67,249).

10. Pension plan

The Museum participates in a defined contribution pension plan in accordance with the provisions of the Cayman Islands National Pensions Law. Contributions for the year ended June 30, 2012 included in staff costs in the statement of financial performance amounted to CI$38,856 (2010: CI$45,251).

11. Financial risk management

The Museum's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The Museum's Board of Control have overall responsibility for the establishment and oversight of its risk management framework. The Museum's risk management policies are established to identify and analyse the risks, set appropriate risk limits and controls and to monitor risks and adherence to limits. The most important types of financial risk to which the Museum is exposed to are credit risk and liquidity risk. This note presents information about the Museum's exposure to each of these risks and the Museum's objectives, policies and processes for measuring and managing risk and the Museum's management of capital.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Museum. To mitigate this risk, the Museum has adopted a policy of dealing only with counterparties which it believes to be credit worthy. Financial assets which potentially subject the Museum to credit risk consist principally of cash and cash equivalents and accounts receivable.

At June 30, 2012, the Museum held CI$400,148 (2010: CI$848,140) in financial instruments represented by cash and cash equivalents at one financial institution in the Cayman Islands as well as accounts receivable. As such, the Museum is exposed to credit related losses in the event of non-performance by the financial institution and accounts receivable which was largely due from the Shareholder. Given the high credit rating of this financial institution, the Board of Control does not anticipate any material losses as a result of this concentration.

11. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Museum will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from the Cayman Islands Government and the ability to predict and manage the Museum's expected cash outflows. Throughout the year and subsequent to the year end, the Museum has relied significantly on the support from the Government, as Shareholder, to provide funds in the form of grants. The ability of the Museum to meet its obligations is dependent on the ongoing financial support provided by the Government (refer note 8).

12. Commitments and contingencies

On April 1, 2005, the Museum began leasing its Support Facility under an operating lease which expired on March 31, 2008 and subsequently the Museum continued to lease the premises on a monthly basis. The Museum entered a new 3 year lease effective June 1, 2011 to May 31, 2014 for CI$6,300 per month. The Museum also leases a gift shop under an operating lease which expired on September 1, 2007 and was extended on a month to month basis which expired on July 1, 2008.

		2012	2010
Minimum lease payments			
Payable within one year		75,600	75,600
Payable from one to two years		69,300	151,200
	CI$	144,900	226,800

The Museum held an operating lease on parking spaces which included additional storage space during the financial period. During the two year period ended June 30, 2012 the Museum made lease payments of CI$6,640 (2010: CI$25,440). The operating lease held for the parking spaces expired.

13. Subsequent events

New Lease Agreement

Subsequent to year-end a new lease was entered into by the Museum at 10 Cayside House which will become the Museum's support facility. The lease period is until December 31, 2015.

14. Correction of prior period errors

On June 15, 2012 the Museum conducted a review of the fixed asset register. The system that was being used to track fixed assets was replaced by the Quickbooks Fixed Asset Manager System. This change in systems revealed past errors in the depreciation calculations. As a result of this review, adjustments had to be made resulting in the opening accumulated surplus increasing by CI$1,051,735 and accumulated depreciation decreasing by CI$1,051,735.

During the two year period ending June 30, 2012 it was discovered that an insurance expense accrual relating to June 30, 2010 had not been booked. In addition, stale reconciling items in the bank reconciliations at June 30, 2010 were reversed. As a result of these two errors, cash and cash equivalents increased by CI$6,151, accounts payable and accrued liabilities increased by CI$47,344 and opening accumulated surplus decreased by CI$41,193.

The following financial statement line items for the year ended June 30, 2010 were affected by the correction.

Statement of Financial Position

2010	As Originally Reported	As Restated		Effect of Change
Cash	634,604	640,755		6,151
Accumulated depreciation	(1,158,616)	(106,881)		1,051,735
Total assets			CI$	1,057,886
Accounts payable and accrued liabilities	186,863	234,207		(47,344)
Accumulated surplus	1,557,698	2,568,240		(1,010,542)
Total liabilities and shareholder's equity			CI$	(1,057,886)

14. Correction of prior period errors (continued)

Statement of Financial Performance

2010	As Originally Reported	As Restated	Effect of Change
Interest and other income	17,490	23,641	6,151
Facility expenses	(534,446)	(581,790)	(47,344)
Loss for the period	(251,788)	(292,981)	(41,193)
Accumulated surplus at beginning of year	1,813,173	2,864,908	1,051,735
Accumulated surplus at the end of the year	1,557,698	2,568,240	1,010,542

Statement of Cash Flows

2010	As Originally Reported	As Restated	Effect of Change
Loss for the period	(251,788)	(292,981)	(41,193)
Accounts payable and accrued liabilities	171,571	218,915	47,344
Net increase in cash and cash equivalents		CI$	6,151