Financial Statements of

NATIONAL GALLERY OF THE CAYMAN ISLANDS

June 30, 2012

NATIONAL GALLERY OF THE CAYMAN ISLANDS

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National Gallery of the Cayman Islands
Financial Statements
June 30, 2012

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Except for the non-compliance under Section 4 relating to the use of International Public Sector Accounting Standards ("IPSAS"), these financial statements have been prepared by the National Gallery of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Law (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 members of the Management Board, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Gallery of the Cayman Islands.

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

The financial statements fairly present the statement of financial position and statements of financial performance, of changes in fund balances and of cash flows for the financial year ended June 30, 2012.

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

(a) completely and reliably reflect the financial transactions of National Gallery of the Cayman Islands for the year ended June 30, 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.

Chairman
National Gallery of the Cayman Islands

Director
National Gallery of the Cayman Islands

Date: 31/10/12

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Auditor General's Report

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

I have audited the accompanying financial statements of the National Gallery of the Cayman Islands (the "Gallery"), which comprise the statement of financial position as at June 30, 2012, and the statements of financial performance, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 21 in accordance with the Section 60(1)(a)(ii) of the *Public Management and Finance Law (2012 Revision)*.

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

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 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 Gallery's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gallery's internal control. An audit also includes evaluating the appropriateness of accounting 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 audit opinion. In rendering my qualified audit opinion on the financial statements of the Gallery, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Auditor General's Report

To the Board of Directors of the National Gallery of the Cayman Islands (continued)

Basis for Qualified Opinion
In common with many non-profit oriented organizations, the Gallery derives a significant portion of its cash receipts from various sources, the completeness which is not susceptible to independent audit verification. Accordingly, our verification of such cash receipts was limited to the amounts recorded in the records of the Gallery and we were not able to determine whether any adjustments might be necessary to cash receipts from funding and donations, the increase in cash and cash equivalents for the year ended June 30, 2012, opening cash as at July 1, 2011 and closing cash as at June 30, 2012. In addition, the audit report on the financial statements for the year ended June 30, 2011 included a qualification in respect of the same matter.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Gallery as at June 30, 2012 and its financial performance and its cash flows for the year ended June 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without further qualifying our opinion, we noted that the Gallery did not comply with the requirements of the *Public Management and Finance Law (2012 Revision)* under the following section:

- 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.

No adjustments are made in these financial statements as a result of this non-compliance with the *Public Management and Finance Law (2012 Revision)*.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

October 31, 2012
Cayman Islands

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Financial Position

June 30, 2012
(stated in Cayman Islands dollars)

	Note		2012	2011
Assets				
Current assets				
Cash and cash equivalents	4		175,472	945,231
Restricted fixed deposits	5		0	183,139
Accounts receivable	2		157,340	120,700
Prepaid expenses			2,401	1,252
			335,213	1,250,322
Property, Plant and Equipment	6		2,964,180	1,913,866
Total assets		CI$	3,299,393	3,164,188
Current liabilities				
Accounts payable			26,218	230,137
Fund balances				
Unrestricted general fund			3,231,056	2,309,960
Restricted building fund			42,119	624,091
			3,273,175	2,934,051
Total liabilities and fund balances		CI$	3,299,393	3,164,188

See accompanying notes to financial statements.

Approved on behalf of the Board on 31/10/12

Chairman

Director

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Financial Performance

Year ended June 30, 2012
(stated in Cayman Islands dollars)

	Note		2012	2011
Revenue and support from operations				
Donations			79,023	111,903
Events and exhibitions income			48,050	11,423
Facility rental			4,294	0
Gallery gift shop income			10,141	4,334
			141,508	127,660
Other income				
Government grants	2, 3(d)		422,000	450,000
Membership fees			26,425	18,406
Miscellaneous			14,207	8,609
			462,632	477,015
Total revenue			604,140	604,675
Expenditure				
Administrative expenses	9		434,183	368,367
Facility expenses			210,840	87,381
Program expenses			82,231	70,706
Exhibitions expense			21,148	18,204
Other operating expenses			2,589	1,318
			750,991	545,976
Net (loss)/income from unrestricted general fund			(146,851)	58,699
Gallery building				
Donations	8		482,409	396,062
Interest income			3,566	335
Net income from restricted building fund			485,975	396,397
Increase in fund balances for year		CI$	339,124	455,096

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Changes in Fund Balances

Year ended June 30, 2012
(stated in Cayman Islands dollars)

		Restricted building fund	Unrestricted general fund	Total
Balance at June 30, 2010		1,912,930	566,025	2,478,955
Net income from unrestricted general fund for year		0	58,699	58,699
Net income from restricted building fund		396,397	0	396,397
Transfers from restricted building fund		(1,685,236)	1,685,236	0
Balance at June 30, 2011		624,091	2,309,960	2,934,051
Net loss from unrestricted general fund for year		0	(146,851)	(146,851)
Net income from restricted building fund		485,975	0	485,975
Transfers from restricted building fund		(1,067,947)	1,067,947	0
Balance at June 30, 2012	CI$	42,119	3,231,056	3,273,175

See accompanying notes to financial statements.

NATIONAL GALLERY OF THE CAYMAN ISLANDS

Statement of Cash Flows

Year ended June 30, 2012
(stated in Cayman Islands dollars)

	Note		2012	2011
Cash provided by/(applied in):				
Operating activities				
Movement in fund balances:				
Increase in fund balances for year			339,124	455,096
Add/deduct:				
Items not involving the movement of cash:				
Depreciation	6		55,257	6,413
Net changes in non-cash operating balances:				
Increase in accounts receivable			(36,640)	(26,119)
Decrease in interest receivable			0	754
(Increase)/Decrease in prepaid expenses			(1,149)	13,504
(Decrease)/Increase in accounts payable			(203,919)	227,981
			152,673	677,629
Investing activities				
Interest earned on restricted funds			0	(956)
Proceeds from maturity of fixed deposits			183,139	140,246
Purchase of property, plant and equipment	6		(1,105,571)	(1,688,791)
			(922,432)	(1,549,501)
Decrease in cash and cash equivalents for year			(769,759)	(871,872)
Cash and cash equivalents at beginning of year			945,231	1,817,103
Cash and cash equivalents at end of year		CI$	175,472	945,231
Supplementary information on cash flows from operating activities				
Interest received		CI$	0	335

See accompanying notes to financial statements.

1. Background information

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

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

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

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

As at June 30, 2012, the Gallery had 7 employees (2011: 6 employees). The Gallery is located at P.O. Box 10197, Esterley Tibbetts Highway, Grand Cayman KY1-1002, Cayman Islands.

2. Going concern

The Gallery receives public and private grants and donations to fund its operating expenses. During the year ended June 30, 2012, the Gallery received income grants totalling CI$422,000 (2011: CI$450,000) from the Government of the Cayman Islands. At June 30, 2012, CI$105,500 (2011: CI$112,500) is included in accounts receivable at that date. The amount was received in full subsequent to the year end.

In addition to these grants, donations of funds, goods and services from private enterprises and the general public enable the Gallery to continue in operation. Funding shortfalls could therefore lead to a reduction in the number of workshops, programmes and exhibitions. However, due to a healthy, grassroots operative policy, the Gallery management and staff have enabled the continuous growth of the organisation. Even in the current economic climate the Gallery has managed to continue an average of twenty five programmes (2011: twenty five) by enacting policies such as the outsourcing of the instruction of a number of visual arts workshops and revamping the format of a few other programmes.

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

3. Significant accounting policies

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

(a) Basis of preparation

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

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

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

(b) Standards and amendments to existing standards effective July 1, 2011

The amendment to IAS 24 'Related party disclosures' clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Gallery.

(c) Recognition of revenue

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

(d) Government grants

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

3. Significant accounting policies (continued)

(e) Donations

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

(f) Interest income

Interest income is recorded on an accruals basis.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost and depreciated on a straight line basis over the terms of their useful economic lives.

Computer systems and hardware	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Workshop equipment	5 years
Motor vehicles	5 years
Building	50 years

Donated property, plant and equipment are valued at their estimated fair market value. The building was placed into service on January 1, 2012 and started to be depreciated from that date. Prior to that, the costs of construction in progress were not depreciated.

(h) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash at bank and short term deposits with original maturities of three months or less and including short term restricted amounts for specific projects (Note 4).

(i) Inventory

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

(j) Restricted building fund

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

3. Significant accounting policies (continued)

(k) Foreign exchange

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

(l) Financial instruments

(i) Classification

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

(ii) Recognition

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

(iii) Measurement

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

(iv) Fair value measurement principles

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognised in the statement of financial performance.

(m) Collections and exhibits

Consistent with the practice followed by many galleries, collections and exhibits purchased and donated are not included in the statement of financial position. The cost 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.

3. Significant accounting policies (continued)

(m) Collections and exhibits (continued)

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

Reference	Type	Name	2012	2011
1001	Painting	Ching Ching	800	800
1002	Painting	Picking Breadfruit	800	800
1003	Painting	Two Worlds (At Least)	400	400
1004	Painting	Madman's Wife	400	400
1005	Painting	Carnival Dancers	450	450
1006	Painting	Yarmouth Mill	650	650
1007	Painting	Poinciana Trees at Government House	3,500	3,500
1008	Painting	Elijah and the Mantle	5,000	5,000
1009	Painting	Balam, The Ass	5,000	5,000
1010	Print	The World Praying for Peace	1,200	1,200
1011	Painting	Iguana	6,000	6,000
1012	Painting	Mangroves	5,000	5,000
1015	Print	Pasiva 5/6	500	500
1016	Painting	Untitled	4,000	4,000
1017	Painting	The Reef Paintings – Study #4	2,000	2,000
1018	Print	Fathoms #14	1,000	1,000
1020	Print	Artist Proof (untitled)	900	900
1021	Painting	Sheep and Chickens in Stable Interior	10,000	10,000
1022	Painting	The Path	2,500	2,500
1024	Painting	Pedro's Bluff	1,200	1,200
1025	Print	PC	150	150
1027	Painting	Poincianna Tree	1,250	1,250
1028	Print	Asta Su Abuelo	2,000	2,000
1029	Print	Village of Stowe, Vermont	2,000	50
1030	Painting	Among Friends #2	6,000	6,000
1031	Drawing	Tatooed Dancer	800	800
1033 (A)	Sculpture	Untitled sculpture	300	300
1033 (C)	Sculpture	Untitled sculpture	300	300
1036	Drawing	Couple	500	500
1037	Drawing	Egg	500	500
1038	Drawing	Homenaje a Maillol	500	500
Carried forward			65,600	63,650

3. Significant accounting policies (continued)

(m) Collections and exhibits (continued)

Reference	Type	Name	2012	2011
Brought forward			65,600	63,650
1039	Print	Untitled I	50	50
1040	Print	Untitled II	50	50
1041	Print	Gold on Black	50	50
1042	Print	Untitled III	50	50
1043	Print	Untitled	125	125
1044	Print	Untitled IV	50	50
1045	Print	Untitled	175	175
1046	Print	Untitled	200	200
1047	Print	Mi Casa	75	75
1049	Sculpture	Untitled	300	300
1050	Print	Suppression of Expression	400	400
1051	Print	Catboats	400	400
1052	Print	Untitled	400	400
1055	Poster	Ignorance = Fear	400	200
1056	Print	Leonardo da Vinci Codex	10,000	10,000
1057	Painting	Kings II	10,000	10,000
1058	Painting	Meneage Street	1,200	1,200
1059	Painting	Ghosts of War	500	500
1060	Sculpture	That Morning	2,000	2,000
1061	Painting	Sweet Lady	2,000	2,000
1062	Painting	Lady With A Tray	300	300
1063	Painting	Three Palms	300	300
1064	Painting	Peaceful Palms	995	995
1065	Painting	Silver Thatch	750	750
1066	Painting	Boggy Sand Road	800	800
1067	Painting	A Quiet Beach With Boats	600	600
1068	Painting	George Town Harbour	425	425
1069	Painting	Untitled II	85	85
1070	Painting	Pines on the Beach	675	675
1071/1072	Painting	Red Mangroves I & II	2,250	2,250
1073	Painting	Dorathy Bush's Home	850	850
1074	Painting	Fisherman	1,200	1,200
Carried forward			103,255	101,105

3. Significant accounting policies (continued)

(m) Collections and exhibits (continued)

Reference	Type	Name	2012	2011
Brought forward			103,255	101,105
1075	Painting	Structures	240	240
1076	Painting	Untitled I	1,000	1,000
1077	Print	Untitled	200	200
1078	Painting	Rain Gauge	3,500	3,500
1079	Sculpture	Starry Starry Night	3,000	2,000
1080	Painting	The Women Have Become The Truth	2,400	2,400
1081	Quilt	Love Quilt	2,000	2,000
1082(A)	Painting	Les Danseurs d'Ailleurs	1,000	1,000
1082(B)	Painting	Blue Bossa 1	800	800
1082(C)	Painting	Blue Bossa 2	800	800
1083	Sculpture	Figure of a Woman #2	5,000	1,000
1084	Painting	Caymanian House	800	800
1085	Painting	Art At Governors	1,000	1,000
1086	Painting	Kings of Satwa	3,500	1,500
1087	Painting	Warriors of Time	3,500	1,500
1088	Painting	Casting Nets	3,500	1,500
1089	Painting	3 A Lick, No Taws	8,000	8,000
1090	Painting	Harold's Picky Head Boy	3,000	3,000
1091	Sculpture	80 Degrees West, Old Issac's	6,000	6,000
1092	Sculpture	The Antilles current, parted…	1,500	1,500
1093	Sculpture	Death of the Ajax	2,400	2,400
1095	Painting	He Is Risen	5,000	5,000
1096	Painting	Mitche Miller and His Thing	3,000	3,000
1097	Drawing	Portrait of Susanna Catherine Connolly	4,000	4,000
1098	Print	Time is At Hand	150	150
1099	Painting	One of a Kind	3,500	1,500
1100	Video	21st Century Cayman Documentary	800	800
1101	Painting	Girls at the Vanity Table	6,500	0
1102	Painting	The MS Miss Sheila	5,000	0
1103	Painting	Miss Lassie's House	2,000	0
1104	Painting	Mangrove III	7,000	0
1105	Painting	Close to the Bark	1,000	0
Carried forward			194,345	157,695

3. Significant accounting policies (continued)

(m) Collections and exhibits (continued)

Reference	Type	Name	2012	2011
Brought forward			194,345	157,695
1106	Thatch	Thatch Basket	60	0
1107	Thatch	Thatch Basket	200	0
1108	Painting	Ovid's Conch III	10,000	0
1109	Craft	Noah's Ark	200	0
1110	Still Life	Ceci N'est Pas Un Investissement	2,000	0
Total estimated value		CI$	206,805	157,695

The estimated values of the art works are determined by the staff director as the current market value at the most recent valuation on August 30, 2012 the value was estimated at the values shown above. This is considered to be reflective of the values as at the year end.

(n) Donated services

A substantial number of unpaid volunteers make significant contributions of their time to develop the Gallery's programs. The auditors, PricewaterhouseCoopers, have waived their fees for the audit of these financial statements. Further, the Gallery receives a number of donations in kind including with respect to the building project. The value of this contributed time and donated goods is not reflected in these financial statements since they are not susceptible to objective measurement or valuation.

4. Cash and cash equivalents

		2012	2011
Current accounts		175,472	656,515
Short-term fixed deposits		0	288,716
	CI$	175,472	945,231

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

		2012	2011
Unrestricted		133,353	208,302
Restricted		42,119	920,068
	CI$	175,472	1,128,370

5. Restricted long term fixed deposits

At June 30, 2012 there are no restricted long term fixed deposits. At June 30, 2011 the value of the restricted long term fixed deposits consisted of funds used for the purpose of building the new Gallery.

June 30, 2011

Rollover date	February 6, 2012
Interest rate	0.4500%
Currency	US$
Amount	223,341

6. Property, plant and equipment

		Computer Hardware	Furniture & Fixtures	Office Furniture	Workshop Equipment	Building / construction in progress*	Motor vehicle**	Total
Cost								
Balance at beginning of the year		24,915	23,339	10,740	15,061	1,906,876	9,000	1,989,931
Additions		31,627	108,830	35,252	0	929,862	0	1,105,571
Disposals		(3,848)	(13,336)	(167)	0	0	0	(17,351)
Balance at June 30, 2012		52,694	118,833	45,825	15,061	2,836,738	9,000	3,078,151
Depreciation								
Balance at beginning of the year		21,278	22,484	10,147	13,156	0	9,000	76,065
Charge for year		8,573	12,763	4,102	1,453	28,366	0	55,257
Disposals		(3,848)	(13,336)	(167)	0	0	0	(17,351)
Balance at June 30, 2012		26,003	21,911	14,082	14,609	28,366	9,000	113,971
Net book value June 30, 2012	**CI$**	**26,691**	**96,922**	**31,743**	**452**	**2,808,372**	**0**	**2,964,180**
Net book value June 30, 2011	CI$	3,637	855	593	1,905	1,906,876	0	1,913,866

* The Building construction was completed in December 2011 and the building was placed into service on January 1, 2012. At June 30, 2011, the Building construction was in progress.

**Note, the Gallery owns two additional motor vehicles which are valued at zero net book value which are not included within the property, plant and equipment breakdown noted above.

7. Donated land

During the year ended December 31, 1998, a parcel of land was donated to a trust for a period of 80 years, for the exclusive use of the Gallery and for a National Art Gallery to be built upon. The property is not to be subdivided or combined with the surrounding land, and will at all times be held by the trustees, as separate and apart from the adjacent lots. The land which was valued at CI$445,561 (US$543,367) as at May 25, 2001 is not reflected in these financial statements.

8. Donations

During the year ended June 30, 2012, the Gallery received CI$482,409 (2011: CI$396,062) from private donors for its Gallery construction program. Donations in-kind received by the Gallery are not reflected in the financial statements.

9. Administrative expenses

Administrative expenses comprise the following:

		2012	2011
Staff costs		344,864	291,005
Printing and promotional costs		32,119	26,028
Professional fees		34,085	23,555
Office supplies		10,926	9,636
Motor expenses		2,629	9,121
Postage and courier		6,679	8,065
Miscellaneous		2,881	957
	CI$	434,183	368,367

The Gallery participates in the Silver Thatch Pension Plan (the "Plan"), a defined contribution pension plan, in accordance with the provisions of the Cayman Islands National Pension Law. Contributions made by the Gallery are charged to expenses as they are incurred based on set contribution rates. Contributions in the amount of CI$16,405 (2011: CI$11,564) were made to the Plan during the year and are included in staff costs above.

10. Financial instruments and associated risks

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

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

(a) Fair values

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

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

(b) Market and credit risk

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

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

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

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

(c) Currency risk

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

11. Commitment

Effective July 1, 2002 the Gallery entered into a three year lease in respect of its primary premises, with an annual rental expense of CI$25,200. This lease was extended on the same terms for another 3 years on July 1, 2005. Effective July 1, 2009 the lease was on a month to month basis on the same terms until December 31st 2011 when the Gallery moved into its new building and the lease was terminated.

In January 2010, the Gallery entered into an annual lease with Cayman National Cultural Foundation for an Education Centre facility, with an annual rental expense of CI$12,000. Given project delays, this became effective in July 2010. Effective July 1, 2011 the lease continued on a month to month basis on the same terms until December 31st 2011 when the Gallery moved into its new building and the lease was terminated.

On December 16, 2005, the Gallery entered into a contract with OA&D Architecture and BCQS for the design development and project management of the new Gallery building. The contract guarantees a maximum monthly fee of CI$7,500 for the duration of the contract. The Gallery began construction of the project in December 2010 and anticipated project completion in November 2012. At June 30, 2012 the entire project had a total cost of approximately CI$2.8 million (2011: budgeted CI$2.8 million).

On March 25th 2010, the Gallery entered into a letter of agreement, in advance of the official contract, with KM Limited to the sum of CI$2,130,000 for the construction of the new Gallery building, having received approval from the Central Tenders Committee. Project works began in November 2010 with an anticipated 42 week completion timeline. The main project works were completed in December 2011. Work continues on smaller elements of the central building and landscaping. There is a retention fee owed to KM in November 2012 amounting to CI$68,000.

12. Related parties

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

Key management of the Gallery consists solely of the Gallery Director. The compensation paid to the Director for employee services was CI$81,372 (2011: CI$72,720).

From July 1st, 2012, Arthur Dzaghgouni, a member of the Gallery Board and its Treasurer, has become associated with Berman Fisher Limited, a firm providing accounting and bookkeeping services to the Gallery. Fees of CI$13,275 were paid by the Gallery for services rendered during the year ending June 30th, 2012 (2011: Nil). There were no amounts payable at the year end.

13. Contingent liabilities

As of June 30, 2012 and June 30, 2011 the Gallery has no quantifiable or non-quantifiable contingent liabilities.

14. Subsequent events

As part of the National Gallery's long-term strategic plan, a retail shop, café and events rental department have been developed to help generate revenue. The shop and event rental department went live in February 2012. The café is anticipated to open in January 2013.

Funding for the project is nearing completion. $2.8 million of the total has already been raised, with 90% of these funds having come from the private sector and contributions from the Cayman Islands Government. The target for closing the remaining gap is November 2012, at which time the retention fee is owed to contractors KM Limited. Fundraising work continues.