

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

FINANCIAL STATEMENTS

**PREPARED ON A MODIFIED CASH RECEIPTS AND
DISBURSEMENTS BASIS OF ACCOUNTING FOR THE
PERIOD FROM
SEPTEMBER 23, 2004 TO SEPTEMBER 30, 2005**

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

BALANCE SHEET

(Expressed in Cayman Islands dollars)

	<u>September 30,</u> <u>2005</u>
ASSETS	
Current assets	
Cash at bank (Note 3)	\$2,595,440
Total assets	<u>\$2,595,440</u>
LIABILITIES AND FUND BALANCES	
Current Liabilities	
Bank overdraft	\$ 821
Loans payable (Note 4)	<u>1,348,082</u>
Total liabilities	<u>1,348,903</u>
Fund Balances	
Undistributed fund balance - unrestricted	<u>1,246,537</u>
Total fund balances	<u>1,246,537</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,595,440</u>

Approved for issuance on behalf of the Board of Trustees of The Cayman Islands National Recovery Fund by:

.....
Trustee

.....
Trustee

.....
Date

The accompanying notes are an integral part of these financial statements.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND
UNRESTRICTED FUND BALANCES
STATEMENT OF INCOME, EXPENDITURE AND DISTRIBUTIONS

(Expressed in Cayman Islands dollars)

	For the period from September 23, 2004 (commencement of operations) to September 30, 2005
Income	
Donations (Note 5)	
Government	\$1,500,000
Corporate	2,701,230
Individuals	<u>1,683,945</u>
	5,885,175
Interest received	<u>44,916</u>
	<u>5,930,091</u>
Administration Expenses	
Administration expenses and salaries (Note 10)	268,794
Fundraising and related expenses	79,490
Professional fees	47,750
Other expenses	<u>3,345</u>
	<u>399,379</u>
Funds Available For Distribution	<u>5,530,712</u>
Distributions	
Repairs and construction of properties	3,673,015
Project management fees	<u>611,160</u>
	<u>4,284,175</u>
Undistributed Funds	<u>\$1,246,537</u>

The accompanying notes are an integral part of these financial statements.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND
RESTRICTED FUND BALANCES
STATEMENT OF INCOME, EXPENDITURE AND DISTRIBUTIONS

(Expressed in Cayman Islands dollars)

	For the period from September 23, 2004 (commencement of operations) to September 30, 2005
Income	
Donations	
International (Note 6)	\$ 60,000
Distributions	
Repairs and construction of properties (Note 6)	<u>60,000</u>
Undistributed Funds	\$ <u><u> </u></u> =

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THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

STATEMENT OF CHANGES IN UNDISTRIBUTED FUNDS

(Expressed in Cayman Islands dollars)

	For the period from September 23, 2004 (commencement of operations) to September 30, 2005	
	<u>Unrestricted Fund Balances</u>	<u>Restricted Fund Balances</u>
Balance, beginning of period	\$ -	\$ -
Funds available for distribution	5,530,712	60,000
Distributions	(4,284,175)	(60,000)
Balance, end of period	<u>\$1,246,537</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands dollars)

	For the period from September 23, 2004 (commencement of operations) to September 30, 2005
Cash flows from operating activities	
Undistributed funds for the period	<u>\$1,246,537</u>
Cash flows from financing activities	
Proceeds from loan	2,500,000
Repayment of loan	<u>(1,151,918)</u>
Net cash provided by financing activities	1,348,082
Net increase in cash and cash equivalents	2,594,619
Cash and cash equivalents - beginning of period	<u> -</u>
Cash and cash equivalents - end of period	<u>\$2,594,619</u>
Cash and cash equivalents - end of period comprises:	
Cash at bank	\$2,595,440
Bank overdraft	<u>(821)</u>
	<u>\$2,594,619</u>

The accompanying notes are an integral part of these financial statements.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

1. Organisation and principal activity

The Cayman Islands National Recovery Fund (the "Recovery Fund") was established as a Trust under the laws of the Cayman Islands by a Declaration of Trust (the "Declaration") dated September 23, 2004, between the Trust and the Original Trustees (the "Trustees"). The registered office of the Recovery Fund is PO Box 1350GT, Clifton House, George Town, Grand Cayman, Cayman Islands.

The Recovery Fund has established a wholly owned United States Company which was granted an United States IRS tax exemption under section 501(c)(3) of the Internal Revenue code, effective from December 2, 2004. All of the funds raised in this entity will be transferred to the Recovery Fund in their entirety with any incidental costs being absorbed by the Recovery Fund. As at September 30, 2005 there had been no activity in this entity.

On June 7, 2005, the Recovery Fund received tax exempt status in Canada for a period of 12 months, as per sub sections 110.1(1) and 118.1(1) of the Income Tax Act, Canada.

The Recovery Fund was established for the purpose of relieving those who were injured, bereaved, rendered homeless, destitute or otherwise adversely affected by Hurricane Ivan in the Cayman Islands on or after September 11, 2004 and who are in need and for other charitable purposes connected with or arising out of Hurricane Ivan.

2. Principal accounting policies

The financial statements have been prepared on a modified cash receipts and disbursement basis of accounting which is not a recognized basis of accounting. Principal accounting policies are as follows:

Cash and cash equivalents: Cash and cash equivalents consist of cash at bank and short-term deposits with original terms to maturity of less than three months as well as investment in money market funds which are available on daily notice.

Loans: Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at proceeds received less amounts repaid.

Donations, expenditure and distributions: Donations, expenditures and distributions are recorded on a cash basis.

Donated goods and services: A number of unpaid volunteers have made significant contributions of their time and resources to manage and carry out the Recovery Fund's activities. The value of these contributions is not reflected in the financial statements since they are not susceptible to objective measurement or valuation. In addition, the Recovery Fund has received certain goods and services as donations. The value of these donated goods and services are disclosed in Note 8, at their estimated value at the date of receipt.

3. Cash

Cash at bank comprises of the following:

Current accounts	\$ 577,922
Investment in Money Market Fund	<u>2,017,518</u>
	<u>\$2,595,440</u>

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

4. Borrowings

During the period ended September 30, 2005, the Recovery Fund entered into an agreement with a donor to the Recovery Fund. The donor lent to the Recovery Fund the sum of \$2,500,000 (US\$3,000,000), on an interest free basis for a period of eighteen months from the date of drawdown, February 25, 2005. Repayment of the loan is to take place on a monthly basis and will at a minimum be equivalent to the total donations received during each month from any source, subject to a minimum repayment amount of \$41,667 (US\$50,000) in any one month. If the loan is fully repaid during the term period of eighteen months and a minimum of \$2,500,000 (US\$3,000,000) has been received by the Recovery Fund from "Approved Sources" (as defined in the loan agreement) within 24 calendar months from January 1, 2005, then the donor has agreed to make an ex-gratia payment of \$1,250,000 (US\$1,500,000) to the Recovery Fund. During the period ended September 30, 2005 an amount of \$1,151,918 (US\$1,382,302) had been repaid and the balance remaining to be repaid as at September 30, 2005 was \$1,348,082 (US\$1,617,698).

As of December 6, 2005 the loan was fully repaid. As of December 30, 2005 funding from Approved Sources in the amount of \$2,500,000 (US\$3,000,000) had been received and accordingly the ex-gratia payment of \$1,250,000 (US\$1,500,000) was paid to the Recovery Fund on March 3, 2006.

5. Donations

Donations received during the period are further analysed as follows:

		% of Total Donations
Government, Corporate and Private donors	\$500,000 - \$1,000,000	42%
Government, Bank contributions	\$100,000 - \$499,999	20%
Local/International individuals, Corporate donors	\$50,000 - \$99,999	37%
Local individuals	less than \$50,000	<u>1%</u>
		<u>100%</u>

6. Restricted Funds

During the period ended September 30, 2005, the Recovery Fund received donations from a charitable organisation in the United Kingdom which amounted to \$60,000 (US\$75,000). The donation was made on the understanding that the funds would be used as follows:

Ministry of Education	\$ 30,000
Cayman Islands National Museum	10,000
Cayman Islands National Gallery	10,000
Cayman Islands National Cultural Foundation	<u>10,000</u>
	<u>\$ 60,000</u>

As at September 30, 2005 the above funds had been paid in full by the Recovery Fund.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

7. Applications

As at September 30, 2005, the Recovery Fund had received 1,644 applications, of which a total of 357 applications have received assistance to date.

The Trustees have adopted a set of criteria for the allocation of funds raised by the Recovery Fund. The assessment criteria are as follows:

- Damage must be as a result of Hurricane Ivan
- Funds are intended for repairs to property which were demonstrably damaged by the hurricane or its aftermath
- The property should have been uninsured
- Applicants must be able to show that their total household income is such that they cannot be reasonably expected to obtain finance nor self fund the costs of repairs to their homes
- Grant funds will not normally be made available to:
 - those who are tenants in accommodation rented on commercial terms nor for landlords or those in strata accommodation
 - those who have or are awaiting insurance settlements including the underinsured

Amongst those who met the criteria the following priorities are agreed:

Priority 1

Elderly/infirmary individuals who meet general criteria and are living in sub-standard or mostly destroyed homes and poor conditions as a result of the hurricane.

Priority 2

Homeless individuals who currently live with family members as a result of the hurricane and are in need to have their previous accommodations restored.

Priority 3

Families with young children who meet the general criteria and are living in sub-standard or mostly destroyed homes

Priority 4

Individuals and families who remain in substandard accommodation as a result of the hurricane

Priority 5

Those whose homes were damaged by the hurricane and fit in previous priority categories A1-A4 and need more minor repairs rather than major building works

Among the applications 1,736 received to the date of the balance sheet over 1,086 were outside the criteria above or were duplicate applications within the same family. Some 650 applications were prioritised for assistance and to date with available funds some 400 have been completed. Additional funds are being sought to address the remaining substantial repair gap.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

8. Donated goods and services

A number of organisations and individuals have made significant donations in the form of goods and services. The estimated value at date of receipt was as follows:

Building Materials	\$116,000
Rent (including electricity and water)	36,000
Motor vehicles	6,000
Furniture and equipment	1,000
Volunteers	<u>125,000</u>
	<u>\$ 284,000</u>

Such donated goods and services are not included within these financial statements.

9. Funding and commitments

During the period ended September 30, 2005, the Recovery Fund entered into a donation agreement with a donor to the Recovery Fund. The donor agreed to donate an amount of \$208,333 (US\$250,000) to be paid on a monthly basis commencing on July 1, 2005 and thereafter on the first day of each month for the next twenty-four months, with the final payment being made on July 1, 2007. During the period ended September 30, 2005 an amount of \$25,000 (US\$30,000) had been paid and the balance remaining to be paid as at September 30, 2005 was \$183,333 (US\$220,000), which is not included in the current donations.

A number of other organisations and individuals have committed to contributing further donations to the Recovery Fund beyond the period ended September 30, 2005, however receipt and monetary value of such donations can not be guaranteed or estimated to any degree of certainty at the balance sheet date.

The Trustees have in place a policy to ensure that the Recovery Fund retains sufficient assets to meet approximately six months of administration expenses. However subject to this it is the Trustees intention to ensure that all available resources are distributed at the earliest opportunity and not to create reserves.

10. Salaries and pension costs

The Recovery Fund had up to 8 full-time employees including the Executive Director of the Recovery Fund and 1 contract employee during the period ended September 30, 2005. The salaries of all employees excluding the Executive Director of the Recovery Fund were paid exclusively by the Recovery Fund. During the period ended September 30, 2005 a donor to the Recovery Fund agreed to pay the salary of the Executive Director. The salary of the Executive Director of the Recovery Fund is paid initially by the Recovery Fund, and subsequently the donor to the Recovery Fund contributes a donation to the Recovery Fund in the amount of the salary paid. The amount paid and received in respect of the Executive Director's salary is included in donations, and administration expenses and salaries respectively in the statement of revenue and expenditure.

The employees of the Recovery Fund are entitled to Medical Benefits and Pension in accordance with the National Health Insurance Law and the Pension Law (2003 Revision). Pension contributions are being matched by the Recovery Fund to a maximum of 5% of the employee's basic salary. The pension expense for the period ended September 30, 2005 was \$11,147 and is included in administration expenses and salaries in the statement of revenue and expenditure.

THE CAYMAN ISLANDS NATIONAL RECOVERY FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

10. Salaries and pension costs (continued)

In compliance with the terms of The Health Insurance Law, 1997, the Recovery Fund is required to effect a standard health insurance contract for its employees. The Recovery Fund's health insurance expense for the period ended September 30, 2005 was \$17,643 and is included in administration expenses and salaries in the statement of revenue and expenditure.

In January 2006, following the expiration of the Recovery Fund's contract with Community Counselling Service Co., LLC (CCS), the Recovery Fund appointed a Director of Marketing and Development.