



MINISTRY OF
FINANCIAL SERVICES
CAYMAN ISLANDS GOVERNMENT

Non-Profit Organizations Act: Best Practices for Good Governance

Registrar of Non-Profit Organizations in the Cayman Islands General Registry
6pm Wednesday, 31 March 2021
Room 1038, Cayman Islands Government Administration Building



Agenda

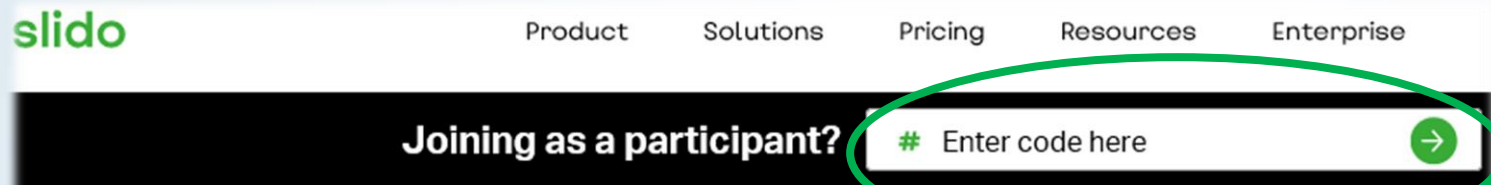


❑ Welcome

❑ Questions via Slido

✓ Website: <https://www.slido.com>

✓ Code: NPOTalk



Agenda Continued



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- Financial Action Task Force (FATF) Recommendation 8
- Key roles of Registrar of Non-Profit Organizations (NPOs)
- Obligations under NPO Act
- Best practices for good governance
- Typological examples
- Closing Remarks

FATF Recommendation 8



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Source: FATF Recommendations (October 2020)

- ❑ *“Countries should review the adequacy of laws and regulations that relate to NPOs vulnerable to terrorist financing abuse.”*
 - ✓ NPO Act (2020 Revision)
 - ✓ NPO Regulations (2020 Revision)
 - ✓ Terrorist Financing Risk Assessment (2019)

- ❑ *“Countries should apply measures to protect vulnerable NPOs from terrorist financing abuse.”*

Key Roles of Registrar of NPOs

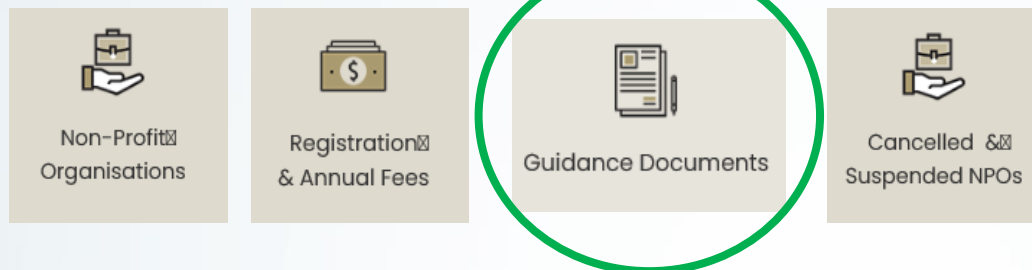


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☐ Section 4 of NPO Act

- ✓ Ensure NPOs have implemented appropriate internal controls to identify conduct which may involve terrorist financing
- ✓ Guide NPOs with respect to best practices

<https://www.ciregistry.ky/non-profit-organisations/non-profit-guidance/>



☐ Gazette notice dated 13 September 2018

- ✓ Registrar of NPOs authorized to conduct onsite inspections



Please answer via
<https://www.slido.com>

Which of the options are examples of internal controls?

What is the definition of terrorist financing?



Poll Results



Which of the options are examples of internal controls?

Answer: (e)

“Policies, procedures, activities, tasks, and behaviors which enables an organization to respond appropriately to risks and meet objectives.”

(Source: Turnbull Report, 1990)

What is the definition of terrorist financing?

“An act which causes or is likely to cause loss of human life, serious bodily harm, prejudice to national security, or disruption of public safety

AND

is intended to compel the government or an international organization to do or refrain from doing an act or intimidate the public for the purpose of advancing a political, racial, religious, or ideological cause.”

(Source: Terrorism Act (2018 Revision))

Section 7(5) of NPO Act

Notification of Changes



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- “It shall be the duty of the controller of a NPO to ensure that the Registrar is notified of any change in its purposes and activities, constitutional documents or any of the particulars entered in the register within 30 days of such change.”*

- E.g. changes to:
 - ✓ governing document
 - ✓ banking arrangement
 - ✓ composition of leadership team - controllers and senior officers
 - ✓ email addresses, phone numbers, and physical addresses

- Changes to be submitted via:

<https://www.cbp.ky/>

Section 12 of NPO Act

Keeping Financial Statements



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- ❑ *“A controller of a NPO shall ensure that proper financial statements are kept.”*
 - ✓ Income and expenses
 - ✓ Assets and liabilities
 - ✓ Sale and purchase of property
 - ✓ All sums raised through fundraising
 - ✓ Non-monetary transactions

- ❑ *“A controller of a NPO shall ensure that the financial statements show and explain all the transactions of the NPO and disclose at any time, with reasonable accuracy, its financial position.”*



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Section 15 of NPO Act

Duty to Prepare Annual Returns

- ❑ *“A controller of a NPO shall ensure that within 6 months after the NPO’s financial year end, annual returns are duly prepared and submitted to the Registrar.”*

- ❑ *“The Registrar may approve a written request made by a controller of a NPO to extend the filing period by 2 months.”*

- ❑ Annual return form and guidance:
<https://www.ciregistry.ky/non-profit-organisations/non-profit-guidance/>



Annual Return Form



**Non-Profit Organisation
ANNUAL RETURN FORM**

Name of the Entity being reported on: _____

Name of Person Completing Return Form: _____

Position of Person Completing Return Form: _____

Address/ Registered Office of the NPO: _____

Email Address and Telephone numbers for the NPO: _____

Email Address and Telephone number for the Person Completing The Form: _____

NPO Financial Year- Beginning: _____ End: _____

1. COMPLETE THE PRO-FORMA BALANCE SHEET below (Assets and Liabilities):

ASSETS		\$
Cash in Hand		
Cash at Bank		
Investments (Short term)		
Other Current Assets		
Total Current Assets		
Property		
Investments (Long Term)		
Other Fixed Assets		
Total Fixed Assets		
Total Assets		
LIABILITIES		\$
Current Loans		
Other Loans/Debts		
Other Liabilities		
Total Current Liabilities		

Mortgage		

2. COMPLETE THE PRO-FORMA INCOME STATEMENT below (Income and Expenses):

INCOME	\$
Income received from the provision of goods and services	
Rental Income	
Interest on income derived from investments	
Receipt of donations and money	
Award of grants	
Other income	
Gross Income	
EXPENSES	
Operating expenses	
Funds donated/contributed in accordance with NPO purpose	
Government Fees	
Other funds donated/contributed	
Other expenses	
Total Expenses	
Net Income (= GROSS INCOME – EXPENSES)	

Annual Return Form Continued



3. ANNUAL REVIEW THRESHOLD:

(If the figure you have reported for Gross Income above equals to or exceeds C\$250,000 please complete this section.)

A. Has the NPO sent 30% or more of your Gross Income overseas (circle appropriate answer)?

YES NO

(If you have answered YES to question A above please complete questions B below).

B. Please indicate on the line below the total amount of funds sent overseas by the NPO during the last financial year?

C. What percentage of gross income does the amount indicated in question B above represent? (i.e. Amount reported in question B divided by Gross Income multiplied by 100)

D. Please indicate, on the line below, the name of the licensed accountant or duly qualified accountant the NPO has engaged to conduct the review of the financial statements.

4. TEN LARGEST SOURCES OF CONTRIBUTIONS RECEIVED

List the Ten Largest sources of sums Received:	Amount
1.	
2.	
3.	
4.	

5. TEN LARGEST APPLICATIONS OF CONTRIBUTIONS EXPENDED

List the Ten Largest Applications of Contributions Expended:	Amount
1.	
2.	
3.	
4.	

Annual Return Form Continued



6. TEN LARGEST SALES AND PURCHASES OF PROPERTY

Sales	Amount	Purchases	Amount

7. TOP TEN COUNTRIES THAT FUNDS WERE SENT TO BY THE NPO

<u>Countries money has been sent to:</u>	Amount
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

CONTROLLER DECLARATION

I, _____, controller of, _____,
(Your name) *(NPO name)*

1. Certify that the information provided is true to the best of my knowledge, and that there are has been no change of the material particulars of the NPO that have not been notified to the Registrar.
2. That no major occurrences have taken place that can negative impact on the reputation of the NPO and or the NPO Sector
3. That any and all matter that can be categorized as major has been reported to the Registrar of NPOs (if applicable).

Signature

Date

Section 13 of NPO Act

Review of Financial Statements



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- “A NPO with a gross annual income in excess of CI\$250,000 and remits 30% or more of that gross income outside of the Cayman Islands shall have its financial statements reviewed by a qualified or licensed accountant.”*
- Records must be maintained for a minimum period of 5 years



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Section 10 of NPO Act

Inquiries by Attorney General



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- “The Attorney General (or appointee) may, independent or by referral by the Registrar, inquire into an issue concerning the operations of a NPO for the purpose of investigating.”*
- Upon receipt, the controller of a NPO shall provide all requested documentation and information.
- Failure to comply – offence and liable on summary conviction to a fine of CI\$3,000 and/or imprisonment for one year.



Please answer via
<https://www.slido.com>

Which of the options are examples of good governance?

Who is ultimately responsible for governance in a NPO?

How are decisions made within the NPO you represent?



Poll Results



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Which of the options are examples of good governance?

Answer: (g)

Who is ultimately responsible for governance?

Answer: (a) and (b)

How are decisions made within the NPO you represent?

Answer: only incorrect answer is (d)



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Governance Defined

- ❑ Refers to the way in which a NPO is controlled and directed
- ❑ The leadership team is responsible for governance
- ❑ Good governance includes:
 - ✓ Fit and proper leadership team
 - ✓ Clear reporting lines
 - ✓ Defined purpose, mission, vision, and values
 - ✓ Documented policies and procedures
 - ✓ Proper risk and financial management
 - ✓ Monitoring and evaluation



Fit and Proper Leadership Team

Clear Reporting Lines



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- All controllers and senior officers meet threshold conditions when the NPO is registered

- There should be transparency and accountability regarding performance of the NPO to stakeholders

- The leadership team should receive reliable and accurate information to facilitate:
 - ✓ monitoring, evaluation, improvements, and decision making

- Leadership team should meet regularly and minutes should be documented, dated, signed, and sufficiently detailed

Purpose, Mission, Vision, Values Policies and Procedures



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- The purpose, mission, values, and vision must be clearly defined in the governing document and followed
- The governing document must be reviewed and updated periodically
- Documented policies and procedures ensures consistency and continuity

Risk and Financial Management



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- During meetings, it is highly recommended that NPOs at least consider their risks and risk treatment options

- Financial management is vital to ensure that donations are used as intended.

- At a minimum, the following must be maintained:
 - ✓ budgets, ledger of income, expenses, assets, and liabilities
 - ✓ copies of receipts, invoices, and agreements
 - ✓ details of events held and financial reports



cayman compass

NEW: Tennis club manager gets 6 years 8 months for thefts

Offenses were gross breach of trust, judge says

By Carol Winker - April 30, 2019

Robert Todd Seward, 48, was sentenced on Tuesday to six years, eight months' imprisonment after pleading guilty to thefts and other financial crimes against the Cayman Islands Tennis Club, where he had worked as general manager and tennis pro for over nine years.

He was responsible for managing the day-to-day finances of the club.

The thefts occurred during a period of just under three years and involved a total of CI\$280,908, starting in January 2015.

One indictment concerned a total of \$116,398 and Justice Michel Wood accepted that this amount had been repaid.

Three guilty pleas were entered to charges of uttering a forged document — forging the club treasurer's signature. One of the banks where the club had accounts accepted that they had failed to make proper checks when Seward presented cheques for various withdrawals.



TRINIDAD and TOBAGO

NEWSDAY

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NEWS

Police holding pastor's millions given two-week extension

RYAN HAMILTON-DAVIS FRIDAY 22 JANUARY 2021

On December 31, 2019 – the final day of the two-week demonetisation exercise – Dayal, head of the Third Exodus Assembly Church in Longdenville Chaguanas, showed up at the Central Bank with 29 copy-paper boxes, each containing \$1 million in \$100 bills. He wanted to exchange them for the new polymer bills.

He said they came from tithes donated to his church.

Financial Intelligence Unit officers seized the money. Dayal was not arrested but was made to account for the source of the funds.

Questions Posed Via Slido



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- ❑ **How soon after your financial year end do you need to submit your annual return?**
 - ✓ In accordance with the NPO Act, annual return forms are due within 6 months after the NPO's financial year end.

- ❑ **Will a copy of this presentation be accessible on your website or can be sent via email?**
 - ✓ The presentation will be uploaded on the General Registry's website and emailed to attendees.

- ❑ **In regards to misappropriation of funds: Is this strictly around the OPEX of an organization or do any NPOs issue financial subsidies to beneficiaries as well?**
 - ✓ Misappropriation of funds can occur at any stage of the cash cycle (e.g. collection, depositing, and reconciling) as well as during operational expenditure (e.g. use of NPO's cash to purchase personal luxury items or support personal initiatives). Other assets can also be misappropriated and abused (e.g. illegitimate use of the NPO's name and misappropriated goods in-kind/equipment).

- ❑ **What about disaster relief distribution of supplies, how can you verify the funds were used?**
 - ✓ It is extremely important that one conducts due diligence on partners to determine the level of fitness and propriety because reliance will be placed on reports received. Verification can also take place in the form of site visits.

Questions Posed Via Slido Continued



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❑ What is the definition of the controller?

- ✓ A controller can be defined as the natural person ultimately responsible for decision making and operations in a NPO. Controllers have a legal obligation under the NPO Act to notify the Registrar of changes in the NPO, maintain proper financial records, prepare and submit annual return forms and reviewed financial statements (where applicable), amongst others. Controllers are the first point of contact for a NPO.

❑ What if your NPO has major events where funds are coming in rapidly for a short period of time be viewed by the bank?

- ✓ In accordance with the NPO Act, financial records must accurately reflect the income received from such events. At the onboarding stage, banks have a legal responsibility under the Anti-Money Laundering Regulations to conduct due diligence on the NPO and related parties. Account opening forms usually require information with respect to source of funds as well as the estimated number of deposits and amounts, wire transfers, etc. Banks are also legally required to conduct ongoing monitoring and, as a part of this, all transactions (incoming and outgoing) will be subject to monitoring to ensure that activity matches the profile for the NPO. Where a NPO is experiencing increased and abnormal monetary donations, it is imperative that a comprehensive update be provided to the bank, which may ask follow up questions and request copies of records.

❑ When Paul says “inspection” what exactly does NPO going to do?

- ✓ The Registrar of NPOs is legally authorized to conduct inspections of NPOs. The purpose of inspections is to obtain an update in relation to the NPO’s operational framework, complete sample testing, and work together with NPOs to remedy any identified weaknesses.

Questions Posed Via Slido Continued



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- ❑ **How do we know when to file our returns? Where do we get the filing information from?**
 - ✓ In accordance with the NPO Act, annual returns are due within 6 months after the NPO's financial year end. The fillable annual return form and guidance are available for download from the General Registry's website at <https://www.ciregistry.ky/non-profit-organisations/non-profit-guidance/>.

- ❑ **How soon after submitting our annual returns will a certificate of compliance or a similar document be issued to the NPO?**
 - ✓ Annual return forms are usually reviewed within two weeks of submission. Once approved, a General Registry stamped copy of the annual return form will be available under documents received on the Cayman Business Portal.

- ❑ **What if we are waiting on the general registry to get our account in order? We are unable to submit annual return because we are waiting.**
 - ✓ Where you are experiencing technical issues with the Cayman Business Portal, please email GRCompliance@gov.ky and help@cbp.ky.

- ❑ **What happens when materials are donated but the invoice is not available?**
 - ✓ Maintain details of the donor (e.g. date, full name, phone number, and email address) as well as type and quantity of materials donated



Please answer via
<https://www.slido.com>

How would you rate the content and delivery of the presentation?

Did the presentation increase your understanding of the obligations under the NPO Act and best practices for good governance?

How can we improve going forward?



Closing Remarks



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Further information

<https://www.ciregistry.ky/non-profit-organisations/>

Presentation slides to be uploaded

Next outreach to cover financial management - details to be confirmed

Contact information for queries or complaints

GRCompliance@gov.ky

244-3124 or 244-3121