



GOVERNMENT OF THE CAYMAN ISLANDS

CAYMAN NATIONAL CULTURAL FOUNDATION

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2012

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Cayman National Cultural Foundation 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 Managing 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 National Cultural Foundation.

As Chairman and Managing Director we are responsible for the preparation of the Cayman National Cultural Foundation financial statements, representation and judgements made in these statements.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman National Cultural Foundation for the financial year ended 30 June 2012.

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

- (a) Completely and reliably reflect the financial transactions of Cayman National Cultural Foundation for the year ended 30 June 2012
- (b) fairly reflect the financial position as at 30 June 2012 and performance for the year ended 30 June 2012;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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

MARCIA MUTTOO

MARTYN BOULD

Managing Director

Chairman

October 31, 2013

October 31, 2013

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman National Cultural Foundation

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 National Cultural Foundation (the "Foundation"), 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 year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting 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 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 Foundation'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 Foundation'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 audit opinion. In conducting my audit, 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.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

October 31, 2013
Cayman Islands

**CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

2011 Actual (CI\$)		Note	2012 Actual (CI\$)	2012 Budget (CI\$)	Variance (CI\$)
Current Assets					
100,555	Cash and cash equivalents	2	70,376	50,725	19,651
215,189	Government grant and other receivable	3	186,595	196,795	(10,200)
315,744	Total Current Assets		256,971	247,520	9,451
Non-Current Assets					
3,431	Other financial assets		5,281	3,431	1,850
4,811,641	Property, plant and equipment	4	4,715,601	4,097,115	618,486
4,815,072	Total Non-Current Assets		4,720,882	4,100,546	620,336
5,130,816	Total Assets		4,977,853	4,348,066	629,787
Current Liabilities					
235,352	Trade payables	5	296,992	99,000	197,992
13,317	Theatre deposits		14,215	0	14,215
40,328	Advanced donations		27,022	7,700	19,322
288,997	Total Current Liabilities		338,229	106,700	231,529
288,997	Total Liabilities		338,229	106,700	231,529
4,841,819	Net Assets		4,639,624	4,241,366	398,258
EQUITY					
1,984,228	General fund	14	1,782,033	3,898,184	(2,116,151)
2,857,591	Contributed capital	14	2,857,591	343,182	2,514,409
4,841,819	Total Equity		4,639,624	4,241,366	398,258

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements.

Approved on behalf of the Board of Directors on October 31, 2013

MARCIA MUTTOO

Managing Director

MARTYN BOULD

Chairman

**CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012**

2011 Actual (CI\$)			2012 Actual (CI\$)	2012 Budget (CI\$)	Variance (CI\$)
Revenue					
617,840	Transfers for governments entities		579,655	579,655	0
64,403	Theatre rental		58,409	165,705	(107,296)
135,745	Other income		114,149	222,297	(108,148)
817,988	Total Revenue	6,7	752,213	967,657	(215,444)
Expenses					
441,793	Personnel costs	8	384,822	436,455	(51,633)
491,982	Operating and administrative expenses	9	472,113	536,202	(64,089)
99,727	Depreciation	4	97,473	87,761	9,712
1,033,502	Total Expenses		954,408	1,060,418	(106,010)
(215,514)	Deficit for the period		(202,195)	(92,761)	(109,434)

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements

**CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

Attributable to Cayman Islands Government

	Contributed Capital (CI\$) Note 14	Accumulated Surplus (CI\$) Note 14	Total (CI\$)
Balance at 30 June 2010	2,857,591	2,199,742	5,057,333
	0	(215,514)	(215,514)
Balance at 30 June 2011	2,857,591	1,984,228	4,841,819
Deficit for the period	0	(202,195)	(202,195)
Balance at 30 June 2012	2,857,591	1,782,033	4,639,624

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements.

**CAYMAN NATIONAL CULTURAL FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

		2012 Actual (CI\$)	2011 Actual (CI\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the period		(202,195)	(215,514)
Non-cash movements			
Depreciation	4	97,473	99,727
Reconciliation of prior year actual to current year budget opening balance		0	0
Net changes in non-cash operating balances:			
Government grant and other receivables		28,594	(18,394)
Other financial assets		(1,850)	0
Trade payables		61,640	141,902
Theatre deposits		898	11,687
Advanced donations (Miss Lassie's House)		(13,306)	32,628
Net cash flows from operating activities		(28,746)	52,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,433)	(2,206)
Net cash flows from investing activities	4	(1,433)	(2,206)
Net increase/(decrease) in cash and cash equivalents		(30,179)	49,830
Cash and cash equivalents at beginning of period		100,555	50,725
Cash and cash equivalents at end of period		70,376	100,555

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Description

The Cayman National Cultural Foundation (the "Foundation") is a non-profit organisation, domiciled in the Cayman Islands, owned and regulated by the government of the Cayman Islands. The Foundation was formed on October 9, 1984 in accordance with the Cayman National Cultural Foundation Law, 1984.

The objectives of the Foundation are to stimulate, facilitate and preserve cultural and artistic expression generally, and preservation and exploration of Caymanian performing, visual and literary arts.

The Foundation is funded primarily by an annual grant from the Cayman Islands Government through the Ministry of Health, Environment, Youth, Sports and Culture. The Foundation would not be able to continue as a going concern without ongoing support from the Cayman Islands Government and as a result the Foundation is economically dependent on the Cayman Island's Government.

The Company was out of compliance with section 52 of the Public Management and Finance Law (2012 Revision) requiring annual financial statements 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. Management have subsequently complied with this requirement for the year ended June 30, 2013 and consequently have not made any adjustments in these financial statements as a result of this matter.

Scope of Activities

The scope of Cayman National Cultural Foundation activities is as follows:

- The stimulation and facilitation of culture generally;
- The development, maintenance and management of theatres and other cultural facilities, in particular the F J Harquail Cultural Centre;
- Organizing cultural festivals;
- Stimulation of the development of local talent by means of training, workshops, competitions, exhibitions, pageants, parades, displays and other such activities;
- Assisting persons in developing cultural and artistic expression, including the preservation and exploration of Caymanian cultural heritage.

Note 1: Significant Accounting Policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

(a) Basis of preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(b) Budget amounts

The budget amounts for the financial year are as presented in the 2011/12 Ownership Agreement and approved by the Minister of Health, Environment, Youth, Sports and Culture on June 30, 2011.

(c) Judgments and Estimates

The preparation of financial statements is in conformity with IPSAS that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

Depreciation and the calculation of the estimated useful lives of Property, Plant and Equipment is considered to be a key judgement made by management in the preparation of the financial statements.

(d) Revenue from exchange transactions

Revenue is generally recognised when earned by the Foundation which coincides with the date it is received. The revenue recognised is the fair value of the consideration received for the sale of goods and services. Revenue from exchange transactions includes theatre rentals and ticket sales.

(e) Revenue from non-exchange transactions - Government grants

Revenue from non exchange transactions is generally recognised when the event occurs and the resulting asset's recognition criteria are met. Revenue from non exchange transactions includes donations and government grants.

Government grants are received for financial support on a quarterly basis and are recorded when they become receivable. Grants are also received for special projects and these are matched with project expenditure over the term of the project and recorded in the statement of operations when the expenditure is incurred. The grants received from the government include no conditions or stipulations.

(f) Expenses

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

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months from the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(h) Property, Plant and Equipment

Property, plant and equipment, is stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired. Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land and heritage assets); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

<u>Asset Type</u>	<u>Estimated Useful life</u>
Building	50 years
Land improvements	10 years
Furniture and other equipment	10 years
Motor Vehicles	5 years
Computer equipment	3 years

Heritage assets

IPSAS 17 *Property, Plant and Equipment* provides optional recognition of heritage assets. Works of art are considered to be heritage assets.

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

(i) Impairment of assets

The Foundation considers all assets held to be non-cash generating assets as the primary objective of holding the assets is not to generate a commercial return, but rather to fulfil the Foundation's objectives.

The Foundation assesses whether there is any indication that non-cash generating assets may be impaired at each reporting date. If any such indication exists, the Foundation shall make a formal estimate of the recoverable service amount of the asset.

Impairment losses are recognized in the statement of financial performance. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(j) Employee Benefits

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

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(j) Employee Benefits (continued)

Pension contributions for employees of the Foundation are paid to the Silver Thatch Pension Fund. The Fund is a defined contribution fund. Employees have a mandatory contribution of 5% of their salary, which is matched by the Foundation.

(k) Financial Instruments

The Foundation is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, other financial assets, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents, government grant and other receivables and other financial assets.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payable, theatre deposits and advanced donations.

Recognition

The Foundation recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statements of financial performance.

Loans and receivables are recognised on the day they are granted by the Foundation.

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at fair value, which is considered to approximate historic cost due to the short-term or immediate nature of these instruments.

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

De-recognition

A financial asset is de-recognised when the Foundation realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

(l) Contingent Liabilities and Assets

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

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(m) Foreign Currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are used to translate foreign currency balances:-

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Foundation maintained at First Caribbean International Bank; and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2012 the Foundation's unrestricted cash balances were:

	2012 (CI\$)	2011 (CI\$)
CI\$ Operational Current Account	42,390	67,548
US\$ Operational Current Account	13,529	18,550
Fixed Deposits	14,457	14,457
Total Cash and cash equivalents	70,376	100,555

During the year ended June 30, 2009, the Foundation began collecting donations to restore the house of the late Gladwyn K. Bush ("Miss Lassie"), who was a famous Caymanian artist. Included in the current and call accounts is an amount of CI\$27,022 (2011: CI\$40,328) which relates to the restoration of Miss Lassie's House as a restricted asset. A corresponding amount equal to CI\$27,022 (2011: CI\$40,328) has been recorded as an advanced donation at June 30, 2012.

Note 3: Trade receivables and other receivables

Included in the government grant and other receivable balance is government grant receivable balance of CI\$152,643 (2011: CI\$154,457) which was fully collected subsequent to year end.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 4: Property, plant and equipment

Cost

	<i>Land (CI\$)</i>	<i>Buildings (CI\$)</i>	<i>Furniture & Fittings (CI\$)</i>	<i>Motor Vehicles (CI\$)</i>	<i>Heritage Assets (CI\$)</i>	<i>Total (CI\$)</i>
Balance as at 1 July 2010	963,151	3,766,929	161,047	23,611	300,255	5,214,993
Additions	0	0	2,206	0	0	2,206
Balance as at 30 June 2011	963,151	3,766,929	163,253	23,611	300,255	5,217,199

	<i>Land (CI\$)</i>	<i>Buildings (CI\$)</i>	<i>Furniture & Fittings (CI\$)</i>	<i>Motor Vehicles (CI\$)</i>	<i>Heritage Assets (CI\$)</i>	<i>Total (CI\$)</i>
Balance as at 1 July 2011	963,151	3,766,929	163,253	23,611	300,255	5,217,199
Additions	0	0	1,433	0	0	1,433
Balance as at 30 June 2012	963,151	3,766,929	164,686	23,611	300,255	5,218,632

Accumulated Depreciation and impairment losses

	<i>Land (CI\$)</i>	<i>Buildings (CI\$)</i>	<i>Furniture & Fittings (CI\$)</i>	<i>Motor Vehicles (CI\$)</i>	<i>Heritage Asset (CI\$)</i>	<i>Total (CI\$)</i>
Balance as at 1 July 2010	0	211,629	81,167	13,035	0	305,831
Depreciation Expense	0	75,338	19,617	4,772	0	99,727
Balance as at 30 June 2011	0	286,967	100,784	17,807	0	405,558

	<i>Land (CI\$)</i>	<i>Buildings (CI\$)</i>	<i>Furniture & Fittings (CI\$)</i>	<i>Motor Vehicles (CI\$)</i>	<i>Heritage Asset (CI\$)</i>	<i>Total (CI\$)</i>
Balance as at 1 July 2011	0	286,967	100,784	17,807	0	405,558
Depreciation Expense	0	75,338	17,413	4,722	0	97,473
Balance as at 30 June 2012	0	362,305	118,197	22,529	0	503,031

Net Book value 30 June 2011	963,151	3,479,962	62,469	5,804	300,255	4,811,641
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Net Book value 30 June 2012	963,151	3,404,624	46,489	1,082	300,255	4,715,601
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**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 4: Property, plant and equipment (continued)

Heritage assets comprise of works of art relate to paintings that are held in trust for the people of the Cayman Islands. These may not be sold, assigned, charged, or encumbered in any way without the permission of the artist, her heirs and successors. The asset is therefore deemed to be restricted in its use. In the event of default by the Foundation, the Foundation shall return and deliver to the artist, her heirs or successors all paintings being part of the collection which remains unpaid.

Note 5: Trade payables

	2012 (CI\$)	2011 (CI\$)
Other government agencies	247,966	166,273
Other payables	43,473	68,132
Payroll Deductions	6,403	1,997
Accrued Expenses	(850)	(1,050)
Total trade payables	296,992	235,352

Amounts payable to other government agencies relates to annual property insurance premiums that are due to be paid to Government Risk Management Unit. The Foundation has requested that these premiums be considered to be capital contributions from the Government. At the date of finalisation, there has been no confirmation or acceptance of this proposed treatment.

Note 6: Revenue

Revenue type	2012 (CI\$)	2011 (CI\$)
Outputs to Cabinet	579,655	617,840
Other	65,348	69,340
Rentals of Harquail Theatre	58,409	64,403
Donations	47,009	64,895
General sales	1,792	1,510
Total Revenue	752,213	817,988

Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Cayman Island Government. The Foundation considers the annual grant received to be an output to the Cabinet

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 7: Donations

Source	Purpose	2012 (CI\$)	2011 (CI\$)
Premier's Office	CI Folk Singers	25,000	50,000
CI Film Commission	Cayfest Young Image Makers	5,000	10,500
Caledonian	Cayfest Fresh	5,000	
CIYP	Cayfest Photo Competition	2,480	1,500
Various	Core	2,160	0
Kirk Freeport	Cayfest	2,000	0
Department of Tourism	Cayfest Fresh	2,000	0
Cayman National	Cayfest Fresh	1,500	1,000
CUC	Gimistory	1,000	0
Various	Young at Arts	869	1,970
R. Estevanovich	Cayfest reimbursement	0	(75)
Total donations		47,009	64,895

Donations for the year ended June 30, 2012 included CI\$25,000 (2011: CI\$50,000) from the Premier's Office, a party related through affiliation with the Cayman Island's Government. Management have treated this as a donation due to the amount being a discretionary payment not appropriated by law.

Note 8: Personnel costs

Description	2012 (CI\$)	2011 (CI\$)
Salaries, wages and allowances	332,703	383,454
Health care	39,246	38,115
Pension	12,873	20,224
Total Personnel Costs	384,822	441,793

Note 9: Operating and administrative expenses

Description	2012 (CI\$)	2011 (CI\$)
Maintenance	133,111	137,330
Cultural development costs - Cultural Exchange	69,596	36,023
Cultural development costs – Other	65,322	79,093
Administrative expenses	61,067	81,927
Utilities	57,399	68,743
Cultural development costs – Cayfest	58,165	64,645
Production costs	27,453	24,221
Total Operating and administrative expenses	472,113	491,982

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 10: Contingent liabilities and assets

The Foundation has been named, along with others, in a legal claim relating to an incident that occurred at a Foundation organised event. Management is uncertain of the outcome of this legal matter, and there is uncertainty relating to the settlement required. As such, no provision for this matter has been included in the statement of financial position. It is possible that this settlement may have a material impact on the Foundation's ability to continue operating as a going concern.

Note 11: Explanation of major variances against budget

Explanations for major variances for the Foundation's performance against the original budget are as follows:

Revenue

Despite the Foundation's best efforts at fundraising and marketing to fill the gap left by reductions in the CIG subsidy, income from donations and sponsorships fell short of targets in 2012 due to the depressed economy.

Expense

Vacant staff posts were left unfilled during the 2012 fiscal year due to continued financial strictures, meaning that personnel costs were lower overall.

Other operating expenses

Other operating expenses were reduced in order to partially offset the decline in revenue and contributed income from government and other sources.

Statement of financial position

Creditors, accruals and other payables were higher than the original budget after requests that the Ministry reinstitute funding for property insurance once again did not meet with success.

Note 12: Related party and key management personnel disclosures

Related party disclosure

The Foundation derives a major source of its revenue from government. The Foundation and its key management personnel transact with other government entities on a regular basis. These transactions were consistent with normal operating relationships between the entities and were undertaken on terms and conditions that are normal for such transactions.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2012**

Note 12: Related party and key management personnel disclosures (continued)

Key management personnel

Description	2012 (CI\$)	2011 (CI\$)
Salaries & other short-term employee benefits	176,971	188,220
Other amounts paid	5,000	5,000
Number of key management personnel	2	2
Total	181,971	193,220

An amount of CI\$5,000 was paid to a key member of management as compensation for services rendered. The member of management wrote the script for one of the theatrical productions completed. Non-executive board members receive no fees or remuneration.

At June 30, 2012 and 2011 no loans are due from key management personnel.

Note 13: Financial instruments and associated risks

The Foundation is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, advances, accounts receivable, debtor-Cabinet and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Credit risk

In the normal course of its business the Foundation is subject to credit risk from debtors other than the Cabinet. The Foundation does not have significant concentrations of credit risk for its other financial instruments.

Currency and interest rate risk

The Foundation has no significant exposure to currency exchange loss risk and interest rate risk.

Liquidity risk

In meeting its liquidity requirements, the Foundation closely monitors its forecast cash requirements with expected cash drawdowns from Cabinet and receipts from third parties. The Foundation maintains a target level of available cash to meet liquidity requirements.

All of the Foundation's financial liabilities, aside from amounts due to government, will be settled in less than six months from the date of these financial statements.

Note 14: Capital management

The Foundation has no legislated minimum capital requirements. Contributed capital relates to assets contributed by the Cayman Islands government which the Foundation utilizes to achieve its objective. The General Fund reflects the accumulation of profits and losses. The General Fund is managed through a strict budget approval and monitoring process.