

Financial Statements of

**CAYMAN NATIONAL CULTURAL
FOUNDATION**

June 30, 2009 and 2008



CAYMAN NATIONAL CULTURAL FOUNDATION

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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 balance sheet as at June 30, 2009 and the statements of operations and changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines 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 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 our qualified 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.

Auditor General's Report (continued)

Basis for Qualified Opinion

The system of internal control of the Foundation, common with many other organisations of similar size and purpose, is dependent upon the close involvement of the Foundation's management. The Foundation derives a substantial portion of its income from theatre productions, donations, fund raising events and similar activities shown as other income in the Statement of Operations and Changes in Fund Balances which cannot be fully controlled until they are entered into the accounting records and are therefore not susceptible to independent audit verification. Accordingly, it was not practicable to extend our auditing procedures of such income beyond the amounts recorded.

Qualified Opinion

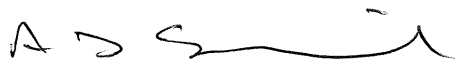
In my opinion, except for the effects of such adjustments, if any, which might have been determined to be necessary had we been able to verify the completeness of income referred to in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2009 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

- Section 4: The financial statements are to be prepared in accordance with International Public Sector Accounting Standards ("IPSAS"). These financial statements are prepared in accordance with International Financial Reporting Standards. No assessment has been made to determine if significant differences in presentation or disclosures exist if these financial statements had been prepared in accordance with IPSAS.
- Section 52: Annual financial statements are to be prepared, submitted to the Auditor General for auditing, and included in an annual report that is required to be presented to the Legislative Assembly four months and two weeks after the end of the financial year. The Foundation's reporting of its financial information to the Legislative Assembly was not in the timeframe or format required to be in compliance with the Law.

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



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

October 31, 2012
Cayman Islands

CAYMAN NATIONAL CULTURAL FOUNDATION

Balance Sheets

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	3	101,543	20,457
Government grant receivable	4	225,030	342,456
Others deposits		4,031	3,431
		330,604	366,344
Non-current assets			
Property, plant and equipment	5	3,278,467	3,357,450
Works of art	6	300,255	300,255
		3,578,722	3,657,705
Total assets	CI\$	3,909,326	4,024,049
Liabilities and fund balances			
Current liabilities			
Bank overdraft	3	0	16,727
Accounts payable and accrued expenses		87,218	77,823
Current portion of long-term debt	7	0	22,500
		87,218	117,050
Non-current liabilities			
Long-term debt – Save Miss Lassies House	3,7	22,675	0
		22,675	0
Total liabilities		109,893	117,050
Fund balances			
General fund		2,373,842	2,481,408
Contributed capital		1,425,591	1,425,591
		3,799,433	3,906,999
Total liabilities and fund balances	CI\$	3,909,326	4,024,049

See accompanying notes to financial statements.

Approved by the Board of Directors on October 31, 2012

MARTYN BOULD

____ Chairman

MARCIA MUTTOO

____ Managing Director

CAYMAN NATIONAL CULTURAL FOUNDATION

Statements of Operations and Changes in Fund Balances

Years ended June 30, 2009 and 2008

(stated in Cayman Islands dollars)

	Note	2009	2008
Revenue and support from operations			
Theatre rental		64,556	64,858
		64,556	64,858
Other income			
Grants – Government		790,590	837,348
Other income		99,367	106,927
		889,957	944,275
Total revenue		954,513	1,009,133
Expenditure			
Operating expenses	9	449,445	473,265
General and administrative expenses	10	348,996	350,704
Cultural development expenses	11	246,103	201,771
Production costs		17,535	33,222
		1,062,079	1,058,962
Decrease in fund balance for year		(107,566)	(49,829)
General fund balance at beginning of year		2,481,408	2,531,237
General fund balance at end of year	CI\$	2,373,842	2,481,408

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(stated in Cayman Islands dollars)

	2009	2008
Cash provided by/(applied in):		
Operating activities		
Decrease in fund balances for year	(107,566)	(49,829)
Add items not involving the movement of cash:		
Depreciation	90,487	82,142
Net changes in non-cash operating balances:		
Government grant receivable	117,426	191,606
Other deposits	(600)	0
Accounts payable and accrued expenses	9,395	11,965
	109,142	235,884
Investing activities		
Purchase of property, plant and equipment	(11,504)	(202,831)
Purchase of works of art	0	(800)
	(11,504)	(203,631)
Financing activities		
Long term loan – Save Lassies House	22,675	0
Repayment of long-term debt	(22,500)	(25,000)
	175	(25,000)
Increase in cash and cash equivalents for year	97,813	7,253
Cash and cash equivalents and bank overdraft at beginning of year	3,730	(3,523)
Cash and cash equivalents at end of year	CI\$ 101,543	3,730

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

1. Background information

The Cayman National Cultural Foundation (the “Foundation”) is a non-profit organisation 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 economically dependant upon the Cayman Islands Government as it is funded by an annual grant through the Ministry of Education (see note 2).

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards. The following is a summary of the significant accounting policies adopted by the Foundation:

(a) Basis of preparation

The measurement and presentation currency of the financial statements is the Cayman Islands dollar.

Financial assets and liabilities and non financial assets and liabilities are stated at historical cost which is considered to approximate fair value due to the short term nature of these assets and liabilities.

The accounting policies have been consistently applied and are consistent with those in prior period.

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(c) Recognition of revenue

Revenue is generally recognised when earned by the Foundation which coincides with the date it is received.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(d) Government grants

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight line method and is based on the estimated useful lives of the assets which are as follows:

Building	50 years
Land improvements	10 years
Furniture and other equipment	10 years
Motor Vehicles	5 years
Computer equipment	3 years

(f) Works of art

Works of art, if purchased, are recorded at cost, and if donated, are capitalised at their appraised or fair value on the date of acquisition. No depreciation is provided on works of art as they are not expected to decrease in value. Gains and losses on the disposal of works of art are included in the statement of operations.

(g) Foreign exchange

Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated at the rates of exchange prevailing at the balance sheet dates. Gains and losses on exchange are taken to the statement of operations.

(h) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include bank balances and amounts invested in short term fixed deposits.

(i) Financial instruments

Financial instruments are measured initially at cost, including transaction costs. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities cost is the fair value for consideration received.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(j) Derecognition

A financial asset is derecognised when the Foundation loses control over the contractual rights that comprise that asset.

This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished.

3. Cash and cash equivalents and bank overdraft

	2009	2008
Current and call accounts	87,408	6,592
Short-term fixed deposits	14,135	13,865
Bank overdraft	0	(16,727)
	CI\$ 101,543	3,730

During the current year 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\$22,675 (2008: CI\$Nil) which relates to the restoration of Miss Lassie's House. An amount equal to \$22,675 has been recorded as a long term debt at June 30, 2009.

4. Government grant receivable

The government grant receivable balance of CI\$197,635 (2008: CI\$342,456) was fully collected subsequent to year end.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

5. Property, plant and equipment

		Land	Buildings	Furniture & Fixtures	Motor Vehicles	Totals
Cost:						
Balance at beginning of year		143,151	3,154,929	147,660	23,611	3,469,351
Additions		0	0	11,504	0	11,504
		143,151	3,154,929	159,164	23,611	3,480,855
Accumulated depreciation:						
Balance at beginning of year		0	73,192	35,118	3,591	111,901
Charge for year		0	63,099	22,666	4,722	90,487
		0	136,291	57,784	8,313	202,388
Net book value:						
2009	CI\$	143,151	3,018,638	101,380	15,298	3,278,467
2008	CI\$	143,151	3,081,737	112,542	20,020	3,357,450

6. Works of art

On June 4, 1998, the Foundation purchased certain works of art at a cost of CI\$285,000 comprising CI\$275,000 for paintings and CI\$10,000 for the copyright to the paintings. Under the agreement, CI\$25,000 was paid to the artist upon delivery and possession of the paintings to the Foundation during 1998. The balance of CI\$260,000 will be paid to this artist in instalments over ten years. The Foundation also agreed to pay a royalty fee of 10% of the wholesale value of any reproduction of the paintings or any item bearing the image of the paintings to the artist during her lifetime and to her son during his lifetime but not thereafter. During the year ended June 30, 2009 royalties of CI\$Nil (2008: CI\$Nil) were paid.

Under the terms of the agreement, the paintings are to be held in Trust for the people of the Cayman Islands, and 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.

During the year ended June 30, 2006 the Foundation purchased an additional painting for CI\$13,000.

Other works of art valued at CI\$2,255 were purchased from other artists.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

7. Long-term debt

At June 30, 2009 the only long term debt related to “Save Miss Lassies House”, refer to note 3 for further explanation.

In prior year the current portion of long term debt related to the purchase of Miss Lassie’s artwork. At June 30, 2009 CI\$Nil (2008: CI\$22,500) was outstanding. The debt was fully repaid to the artist’s heirs in January 2009.

8. Pension scheme

The Foundation participates in the Colonial Private Trust Pension Plan a defined contribution pension fund. Cayman Islands law requires that all employees participate in a pension scheme. The Foundation is required to match each employee’s contribution on a one to one basis up to 5% of the employee’s annual salary up to CI\$60,000. During the year ended June 30, 2009 the Foundation contributed CI\$17,335 (2008: CI\$20,916) to this pension plan.

9. Staff costs

Included in operating expenses are salaries and employee benefits paid to employees totalling CI\$394,339 (2008: CI\$410,277) of which CI\$165,488 (2008:CI\$157,778) relates to key employees.

10. General and administrative expenses

	2009	2008
Utilities	98,133	95,093
Depreciation	90,487	82,142
Other expenses	86,242	87,262
Maintenance fees	43,224	51,298
Administration fees	21,338	18,089
Marketing fees	9,572	16,820
	CI\$ 348,996	350,704

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2009 and 2008

(stated in Cayman Islands dollars)

11. Cultural development expenses

	2009	2008
Cayfest	108,603	63,130
Other expenses	65,464	63,328
Carifesta	61,927	0
Cultural exchange	10,109	75,313
	CIS\$ 246,103	201,771

12. Fair value disclosure of financial instruments

At June 30, 2009 the following methods and assumptions were used by management to estimate the fair value of each class of financial instrument.

For the Foundation's financial instruments including cash and cash equivalents, government grant receivable and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumption could significantly affect the estimates.

13. Financial instruments and associated risks

The Foundation's activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most significant type of financial risk to which the Foundation is exposed is credit 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 Foundation. Financial assets which potentially expose the Foundation to credit risk consist of cash and cash equivalents and government grant receivable. Cash and cash equivalents are held in one financial institution in the Cayman Islands. As such, the Foundation is exposed to credit related losses in the event of non-performance by the financial institution. The Foundation is also exposed to credit risk on the other financial instruments if they are unable to recover these balances from their customers or the associated entities. Management does not anticipate any significant losses as a result of these exposures.