



GOVERNMENT OF THE CAYMAN ISLANDS

CAYMAN NATIONAL CULTURAL FOUNDATION

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30th JUNE 2016

CONTENTS

	Page
1. Statement of Responsibility for Financial Statements	1
2. Auditor General's Report	2-3
3. Statement of Financial Position	4
4. Statement of Financial Performance	5
5. Statement of Changes in Equity	6
6. Cash Flow Statement	7
7. Notes	8-18



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 (2013 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 (2013 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 2016.

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 2016
- (b) fairly reflect the financial position as at 30 June 2016 and performance for the year ended 30 June 2016;
- (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. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

Marcla Muttoo
Managing Director

31 October 2016

Martyn Bould
Chairman
31 October 2016

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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 (2013 Revision)* and section 16(2) of the *Cayman National Cultural Foundation Law, 2013* I have audited the accompanying financial statements of the Cayman National Cultural Foundation (the "Foundation"), which comprise the statement of financial position as at 30 June 2016 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 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.

Basis for Qualified Opinion

The Foundation has been named as a defendant, among others, in a personal injury claim where a judgment was awarded during the year ended June 30, 2016. The judgment awarded the plaintiff damages of CI\$5,946,889 with a further sum and liability for legal costs still to be determined. We understand that the awarded amount has been partially paid by the Cayman Islands Government and no determination has been made with respect to whether reimbursement of the claim costs will be sought from the Foundation, or if the payment will be considered an additional contribution to the Foundation, as the Foundation is financially dependent on the Cayman Islands Government. We were unable to obtain sufficient, appropriate audit evidence relating to the amount of the damages applicable to the Foundation. Consequently, we were unable to determine whether any adjustments, if any, were necessary to make to the financial statements.

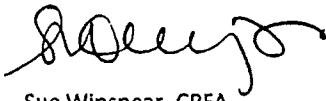
AUDITOR GENERAL'S REPORT (continued)

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements presents fairly, in all material respects, the financial position of the Foundation as at 30 June, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Public Sector Accounting Standards.

Emphasis of Matter

I draw attention to note 10 of the financial statements which discloses that the Foundation is dependent upon the continued financial support of the Cayman Islands Government to enable it to meet its obligations as they fall due. Without this ongoing support, a material uncertainty exists that may cast significant doubt about the Foundation's ability to continue as a going concern. My opinion is not further qualified in respect of this matter.



Sue Winspear, CPFA
Auditor General

31 October 2016
Cayman Islands

CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

2015 Actual (CI\$)		Note	2016 Actual (CI\$)	2016 Budget (CI\$)	Variance (CI\$)
Current Assets					
103,537	Cash and cash equivalents	2,11	180,207	103,508	(76,699)
294,360	Government grant and other receivables	3	180,344	207,989	27,645
3,431	Other financial assets		15,649	3,431	(12,218)
401,328	Total Current Assets		376,200	314,928	(61,272)
Non-Current Assets					
4,180,000	Property, plant and equipment	4	4,165,831	4,187,516	21,685
300,255	Other Non-Current Assets	4	300,255	300,255	-
4,480,255	Total Non-Current Assets	4	4,466,086	4,487,771	21,685
4,881,583	Total Assets		4,842,286	4,802,699	(39,587)
Current Liabilities					
55,943	Trade payables	5,11	84,252	9,497	(74,755)
9,041	Other payables and accruals	5,11	66,383	9,000	(57,383)
64,984	Total Current Liabilities	5	150,635	18,497	(132,138)
Non-Current Liabilities					
124,205	Advanced donations	6,11	112,021	-	(112,021)
124,205	Total Non-Current Liabilities		112,021	-	(112,021)
189,189	Total Liabilities		262,656	18,497	(244,159)
4,692,394	Net assets		4,579,630	4,784,202	204,572
Equity					
1,355,089	General fund	14	1,242,325	1,491,411	249,086
3,337,305	Contributed capital	14	3,337,305	3,292,791	(44,514)
4,692,394	Total Equity		4,579,630	4,784,202	204,572

The accounting policies and notes on pages 8 to 18 form an integral part of these financial statements.

Approved on behalf of the Board of Directors on October 31, 2016

Marcia Muttoo
Managing Director

Martyn Bould
Chairman

**CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

2015 Actual (CI\$)		Note	2016 Actual (CI\$)	2016 Budget (CI\$)	Variance (CI\$)
Revenue					
628,900	Government Grants		628,900	628,900	-
195,234	Other revenue	11	200,482	302,428	101,946
76,985	Theatre rental		64,263	60,000	(4,263)
901,119	Total Revenue	7	893,645	991,328	97,683
Expenses					
474,043	Personnel costs	8	449,653	468,548	18,895
463,524	Operating and administrative expenses	9,11	466,328	522,780	56,452
99,855	Depreciation	4	90,428	86,103	(4,325)
1,037,422	Total Expenses		1,006,409	1,077,431	71,022
(136,303)	Deficit for the period		(112,764)	(86,103)	26,661

The accounting policies and notes on pages 8 to 18 form an integral part of these financial statements.

**CAYMAN NATIONAL CULTURAL FOUNDATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

		Attributable to Cayman Islands Government		
		Contributed Capital (CI\$) (note 14)	Accumulated Surplus (CI\$) (note 14)	Total (CI\$)
	Note			
Balance at 30 June 2014		2,857,591	1,491,392	4,348,983
Equity Injections for the period	5	479,714	-	479,714
Deficit for the period		-	(136,303)	(136,303)
Balance at 30 June 2015		3,337,305	1,355,089	4,692,394
Deficit for the period		-	(112,764)	(112,764)
Balance at 30 June 2016		3,337,305	1,242,325	4,579,630

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

**CAYMAN NATIONAL CULTURAL FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 (CIS)	2015 (CIS)
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the period		(112,764)	(136,303)
Non-cash movements			
Depreciation	4	90,428	99,855
Net changes in non-cash operating balances:			
Receivables		114,016	(112,178)
Other financial assets		(12,218)	-
Trade payable		28,309	(419,053)
Other payables and accruals		57,342	9,041
Advanced donations (Miss Lassie's)		(12,184)	87,524
Net cash flows from operating activities		152,929	(471,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(76,259)	(18,321)
Net cash flows from investing activities		(76,259)	(18,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital: CIG capital injection	5	-	479,714
Net cash flows from financing activities		-	479,714
Net increase/(decrease) in cash and cash equivalents		76,670	(9,721)
Cash and cash equivalents at beginning of period		103,537	113,258
Cash and cash equivalents at end of period		180,207	103,537

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Description

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 funded primarily by an annual grant from the Cayman Islands Government through the Ministry of Health, Youth, Sports and Culture.

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;
- Organising 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.

(b) Budget amounts

The original budget amounts for the financial year are as presented in the 2015/16 Ownership Agreement and approved by the Minister of Culture on June 30, 2015.

(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.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Significant Accounting Policies (continued)

(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/ Donations

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.

(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	3-10 years
Motor Vehicles	5 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.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Significant Accounting Policies (continued)

(i) Impairment of assets (continued)

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.

Pension contributions for employees of the Foundation are paid to the Silver Thatch Pension Fund (the "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 cash and cash equivalents, other financial assets, government grant and other receivables and trade payables and other payables and accruals, 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).

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

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.

(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 Cayman National Cultural Foundation maintained at First Caribbean International Bank; and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2016 Cayman National Cultural Foundation unrestricted cash balances were as presented below. No restricted cash balances were held by the Cayman National Cultural Foundation at 30 June 2016, (2015: none).

Actual Prior Year	Description	Actual Current Year
84,642	CI\$ Operational Current Account	114,617
4,690	US\$ Operational Current Account	51,385
14,205	Fixed Deposits	14,205
103,537	TOTAL	180,207

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 3: Government Grants and other receivables

At 30 June, 2016 all overdue receivables have been assessed and appropriate provisions calculated based on expected losses for the Foundation and review of specific debtors. All receivables are due within one year, (2015: all due within one year). Expected losses have been determined based on an analysis of the Foundation's losses in previous periods. Bad debt expense recorded in the current financial year is CI\$0 (2015: \$600)

Included in the government grant and other receivable balance is government grant receivable of CI\$157,225 (2015: CI\$157,225), plus CI\$0 (2015: CI\$70,443) in equity/capital injections and CI\$0 (2015: CI\$50,000) advanced donations which was fully collected subsequent to year end.

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</i>
Balance as at 1 July 2014	963,151	3,766,929	194,355	23,611	300,255	5,248,301
Additions	-	-	18,321	-	-	18,321
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance as at 30 June 2015	963,151	3,766,929	212,676	23,611	300,255	5,266,622

	<i>Land</i>	<i>Buildings</i>	<i>Furniture & Fittings</i>	<i>Motor Vehicles</i>	<i>Heritage assets</i>	<i>Total</i>
Balance as at 1 July 2015	963,151	3,766,929	212,676	23,611	300,255	5,266,622
Additions	-	-	76,259	-	-	76,259
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance as at 30 June 2016	963,151	3,766,929	288,935	23,611	300,255	5,342,881

Accumulated Depreciation

	<i>Land</i>	<i>Buildings</i>	<i>Furniture & Fittings</i>	<i>Motor Vehicles</i>	<i>Heritage assets</i>	<i>Total</i>
Balance as at 1 July 2014	N/A	512,981	149,920	23,611	-	686,512
Depreciation Expense 2014/15	-	75,338	24,517	-	-	99,855
Eliminate on Disposal 2014/15	-	-	-	-	-	-
Balance as at 30 June 2015	-	588,319	174,437	23,611	-	786,367

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 4: Property, Plant and Equipment (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Furniture</i>	<i>Motor Vehicles</i>	<i>Heritage assets</i>	<i>Total</i>
Balance as at 1 July 2015	-	588,319	174,437	23,611	-	786,367
Depreciation Expense 2015/16	-	75,338	15,090	-	-	90,428
Eliminate on Disposal 2015/16	-					
Balance as at 30 June 2016	-	663,657	189,527	23,611	-	876,795

Net Book value 30 June 2015	963,151	3,178,610	38,239	-	300,255	4,480,255
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Net Book value 30 June 2016	963,151	3,103,272	99,408	-	300,255	4,466,086
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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.

Note 5: Trade payables, other payables and accruals

Prior Year		Current Year
15,554	Other government agencies	76,559
49,430	Other payables	74,076
64,984	Total trade payables other payables and accruals	150,635

Amounts payable to other government agencies relates primarily to annual property insurance premiums that are due to be paid to Government Risk Management Unit. In 2015 the Foundation requested and the Ministry of Finance & Economic Development approved the transfer of \$409,277 in insurance receivable from CNCF to the Government's statement of financial position, to "Net Worth in Cayman National Cultural Foundation", as at 31 March 2015. CNCF has made a corresponding entry to re-classify the insurance premiums payable on its statement of financial position to "Contributed Capital", as at 31 March 2015.

Note 6: Advanced Donations

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. The long-term liability account: Save Miss Lassie's House records funding from CIG as advance donations in regards to the conservation and development of the property of which CI\$0 was received for the year ending 30 June, 2016, (2015: \$100,000). During the period the entity incurred expenditures of \$12,184 in the maintenance and upkeep of this property.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 7: Revenue

Prior Year	Revenue type	Current Year	Budget	Variance (Original vs Actual)
628,900	Outputs to Cabinet	628,900	628,900	0
106,243	Other	128,784	87,000	(41,784)
86,450	Donations	67,966	212,428	144,462
76,985	Rentals of Harquail Theatre	64,263	60,000	(4,263)
2,541	General sales	3,732	3,000	(732)
901,119	Total sales of goods and services	893,645	991,328	97,683

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

Donations made to the Foundation were as follows:

Source	Purpose	Current Year	Prior Year
Dept of Tourism	Cayfest	2,500	-
Dart	Cayfest	5,000	-
CNB	CI Folk Singers	1,000	-
Dept of Commerce	YAA	2,289	-
Anon Donor/Individuals	Core expenses	42,068	-
Various	Cayfest '15/Travelling Film	-	7,500
Butterfield	YAA	12,300	22,000
Dept of Commerce	YAA	-	4,650
Individuals	CI Folk Singers/Productions	309	1,100
Harney's	Gimistory	-	4,500
MIn of Distr Admin	Gimistory	-	1,500
Min of Education	Gimistory	-	4,000
Various	Gimistory	-	3,200
Appleby	Educational	-	23,000
Dart	Educational	-	5,000
Anonymous Donor	Educational	2,500	10,000
Total donations		67,966	86,450

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 8: Personnel costs

Prior Year	Description	Current Year	Budget	Variance (Original vs Actual)
399,373	Salaries, wages and allowances	384,591	382,034	(2,557)
49,808	Health care	45,558	64,966	19,408
24,862	Pension	19,504	21,548	2,044
474,043	Total Personnel Costs	449,653	468,548	18,895

Note 9: Operating and administrative expenses

Prior Year	Description	Current Year
161,824	Cultural Development Expense	165,267
142,595	Maintenance/Repairs Property, Automobile, Computers)	99,611
78,639	Utilities and Communications	80,912
53,602	General Administration (Fees, Permits, Audit, Advertising)	77,102
26,864	Theatre Production Expense	43,436
463,524		466,328

Note 10: On-going litigation and going concern

The Foundation has been named as a defendant, among others, in a personal injury claim relating to an incident that occurred at an event organized by the Foundation in 2001. During the year ended June 30, 2016, the judgment was awarded in the plaintiff's favour for \$5,946,889 with an additional sum and liability for legal costs still to be determined. At June 30, 2016, management did not have access to sufficient information to determine the amount of this settlement, which will be applicable to the Foundation and therefore cannot determine the impact this judgment has on the financial statements. It is management's belief that the Cayman Islands Government will cover any costs associated with this judgment through additional capital contributions, by waiving amounts paid on behalf of the Foundation.

The Foundation is dependent on the continued financial support of the Cayman Islands Government in order to continue operating as a going concern. Without this ongoing support, a material uncertainty exists that may cast significant doubt about the Foundation's ability to continue as a going concern.

Note 11: Explanation of major variances against budget

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

Statement of financial performance

Other Revenue

The non-commercial nature of the Foundation's cultural development work necessitates that additional contributed income is raised through fundraising. The Foundation seeks to supplement its annual Government grant by raising funds from non-Government sources, and makes predictions when budgeting that may vary to a greater or lesser degree from the actual contributed income, depending on the economic climate in any given period and the willingness of potential funders to give support. In the financial year ending 30 June 2016, the Foundation projected that some contributed income would derive

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

Note 11: Explanation of major variances against budget (continued)

Statement of financial performance (continued)

Other revenue (continued)

from international funding agencies, many of whom require proof of non-profit (charity) status, 501(c)(3) status under the United States Internal Revenue Code. The Foundation's application for recognition of non-profit status is still awaiting a decision from the Cayman Islands Government, which has significantly limited the Foundation's eligibility for international funding and the main reason for the unfavourable variance of \$101,946 in other revenue.

Personnel costs

Salaries, wages and allowances were less than projected (a favourable variance) by \$18,895, due to the fact that two members of staff did not work the full year. However, this was offset by a cost of living increase of 3% and a one-off payment for a government approved gratuity, based on 2.2% of annual salary.

Operating administrative expenses

In celebration of the 30th Anniversary of the 1986 Grand Opening of the FJ Harquail Cultural Centre, the Foundation had budgeted for 30 special events at the cultural centre between July 2015 and December 2016. This amount was included in the cultural development, utilities, and general administrative expense categories within the total operating administrative expense budgeted. This has resulted in a minor unfavourable variance between actual and budget of \$181. However, this has been offset by a favourable variance for approx. \$55,000, in repairs and maintenance, which is attributable to planned equipment purchases and mechanical system repairs being deferred to the following financial year.

Statement of financial position

Cash

Cash and cash equivalents were budgeted to be consistent with the prior audited period. However, the increase in cash of \$76,699 compared to budget at 30 June, 2016, can be largely attributed to the increase in other payables and accruals of \$74,755, which is as a result of the timing of settlement of these payables.

Trade payables

The Foundation depends primarily on Government funding and has not been in a position to reimburse to Government premiums paid on its behalf for property insurance. In light of this, in 2015 the Ministry of Finance & Economic Development approved the transfer of \$409,277 in insurance receivable from CNCF to the Government's statement of financial position, to "Net Worth in Cayman National Cultural Foundation". CNCF made a corresponding entry to re-classify the insurance premiums payable on its statement of financial position to "Contributed Capital". It was anticipated in the budget that the insurance premium would have been handled similarly in 2016, however notification of approval has not been received and the premium is reflected in CNCF's Liabilities. The amount accrued at 30 June, 2016, equals \$76,559, which is offset by an insignificant reduction in the payables balance.

Other payables and accruals

The budget was set to be consistent with the prior audited period, which included only an accrual for employee entitlements. However, in the current financial period, management has included the audit fee accrual and various utility accruals in this financial statement caption, which were previously presented in trade payables. This resulted in an approx. \$27,000 increase in comparison to budget. In addition, the current year actual amount includes a payable approved by the CIG for a gratuity payment to be made to employees of approx. \$8,000 and \$4,000 received in advance for a 2017 programme. There were also various other insignificant accruals presented in this financial statement caption resulting in the unfavourable variance when compared to budget.

Advance donations

The variance of \$112,021 in this account as compared to budget, is as a result of no amounts included in the budget for the period. This actual amount reflects the movement in the account balance from prior year.

**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

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 entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

Description	Current year actual	Prior year actual
Salaries & other short-term employee benefits	192,054	186,034
Bonus	3,125	3,032
Other amounts paid	5,000	5,000
Number of key management personnel	2	2
Total	200,179	194,066

All staff received a 3% Cost of Living increase to their salaries in 2015/16. An amount of CI\$5,000 (2015: \$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, 2016, (2015: none) 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 cash equivalents, government grants and other receivables, other financial assets, trade payable, other payables and accruals and advance donations. 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, except for amounts due to the Cayman Islands Government will be settled in less than six months from the date of these financial statements.

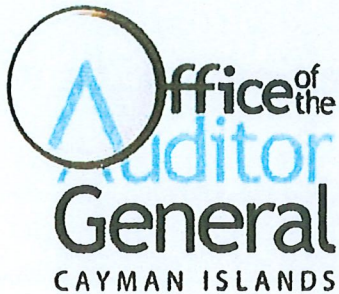
**NOTES TO THE FINANCIAL STATEMENTS OF CAYMAN NATIONAL CULTURAL FOUNDATION
FOR THE YEAR ENDED 30 JUNE 2016**

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.

Note 15: Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to 31 October 2016 which is the date that the financial statements were available to be issued. As described in Note 10, a judgment was awarded in the plaintiff's favour with an additional sum and liability for legal costs still to be determined.



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14 August 2017

Chief Officer
Ministry of Home Affairs, Health & Culture
Gov't Admin. Bldg. Box 110
133 Elgin Ave.
Grand Cayman KY1-9000
CAYMAN ISLANDS

Dear Ms. Jennifer Ahearn:

**CAYMAN NATIONAL CULTURAL FOUNDATION
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016**

Please find enclosed one copy of the financial statements of the Cayman National Cultural Foundation ("the Foundation") for the year ending 30 June 2016 duly certified.

In coming to my opinion on the Foundation's financial statements, I have relied on the work carried out by KPMG who performed their work in accordance with International Standards on Auditing. I have given a qualified audit opinion on the Foundation's financial statements for the year ending 30 June 2016 due to being unable to obtain sufficient appropriate audit evidence in regards to the personal injury claim.

There were 3 internal control deficiencies identified during the course of the audit that require management's attention, which are attached as an appendix to this letter.

If you have any questions in regards to these financial statements please do not hesitate to contact the Deputy Auditor General, Mr. Garnet Harrison at 244-3213 or me at 244-3201.

Yours sincerely,

Sue Winspear, CPFA
Auditor General

APPENDIX 1: MATTERS RELATING TO INTERNAL CONTROLS (continued)

1. Segregation of Duties

Observation:	Due to the size of the entity, there are no segregation of duties for the persons approving payment of expenses and the persons performing the reconciliation of cash balances. All amounts under \$1,000 can be approved for payment by one signatory and amounts over \$1,000 need to have a dual signatory. Given there are no copies of cheques retained or sent back by the bank, we have not been able to test the controls on the dual signatory controls.
Risks:	There is a risk of misappropriation of assets.
Recommendation:	We understand that the entity has limited resources and segregation of such duties cannot be achieved. However, copies of the cheques for disbursements should be retained or requested from the bank, to allow an audit trail for the control to be tested.
Management response:	<i>It would appear from this assessment that small entities that endeavour to keep administrative (personnel) costs to a minimum and, instead, expend their funds judiciously on programming, are at an automatic disadvantage in the audit process. Management takes seriously its responsibility for (and the board takes seriously its oversight of) the organisation's finances, and has put in place internal controls, such as the requirement for management to provide invoices to a board member, and obtain a second signature from them, for all transactions over \$1,000. In addition, as reported to the auditors, CNCF contracts an independent qualified third -party to review its financial transactions and accounts.</i> <i>In future we will make and retain photocopies of the cheques before disbursing.</i>

2. Errors in allocation of expenses

Observation:	During our examination of expenses we noted that there were errors in the allocation of the insurance expense and accruals.
Risks:	The expense and accrual balances could be materially misstated.
Recommendation:	We recommend that management ensure that appropriate mechanisms are put in place to ensure cut off procedures are implemented and amounts recorded in the correct accounting period.
Management response:	<i>Efforts will be made in the future to ensure that additional mechanisms are in place so that such errors do not recur.</i>

3. Budgeted numbers in financial statements

Observation:	Budgeted financial statements for the Ownership Agreement need to be adequately prepared to enable proper comparison of the year end actual financial statements to the budget for accountability purposes. We noted the method used to budget for the cash flow statement was not consistent with the presentation in the actual year-end financial statements. In addition, the budgeted cash flow statement was not properly prepared as it was missing many numbers. The actual financial statements breakdown several areas such as personnel costs in note 8 and operating and administrative expenses in note 9, but the budget does not provide these numbers broken down in the same way to enable adequate comparison.
Risks:	The accountability cycle cannot be adequately carried out with inadequate budgeted financial statements and notes being prepared in the Ownership Agreement with Government.

Recommendation: Management ensure that the budget is prepared on a basis that is comparable to the actual financial statements captions. In addition, management should provide explanations for all significant variances to the budget at the commencement of the audit.

Management response: *CNCF will in future prepare the cash flow statement in the Financial Statement using the same format as the one used for in the ownership agreement.*

CNCF will in future provide budget line item details that are more consistent with those provided in the financial statements.