

Financial Statements of

CAYMAN NATIONAL CULTURAL FOUNDATION

June 30, 2010

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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 statement of financial position as at June 30, 2010 and the statements of comprehensive income and changes in fund balances and cash flows 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, 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 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 Comprehensive Income and Changes in Fund Balances and note 8 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, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying my opinion, I 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

April 20, 2013
Cayman Islands

CAYMAN NATIONAL CULTURAL FOUNDATION

Statement of Financial Position

June 30, 2010

(stated in Cayman Islands dollars)

	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents	3	50,725	101,543
Government grant and other receivable	4	196,795	225,030
Others deposits		3,431	4,031
		250,951	330,604
Non-current assets			
Property, plant and equipment	5	4,608,907	3,278,467
Works of art	6	300,255	300,255
		4,909,162	3,578,722
Total assets		CIS 5,160,113	3,909,326
Liabilities and fund balances			
Current liabilities			
Accounts payable and accrued expenses		93,450	87,218
Theatre deposits		1,630	0
		95,080	87,218
Non-current liabilities			
Advanced donations – Save Miss Lassies House	3	7,700	22,675
		7,700	22,675
Total liabilities		102,780	109,893
Fund balances			
General fund		2,199,742	2,373,842
Contributed capital	7	2,857,591	1,425,591
		5,057,333	3,799,433
Total liabilities and fund balances		CIS 5,160,113	3,909,326

See accompanying notes to financial statements.

Approved by the Board of Directors on April 20, 2013

MARTYN BOULD Chairman

MARCIA MUTTOO Managing Director

CAYMAN NATIONAL CULTURAL FOUNDATION

Statement of Comprehensive Income and Changes in Fund Balances

Year ended June 30, 2010
(stated in Cayman Islands dollars)

	Note	2010	2009
Revenue and support from operations			
Theatre rental		69,384	64,556
		69,384	64,556
Other income			
Grants – Government		691,915	790,590
Other income	8	57,856	99,367
		749,771	889,957
Total revenue		819,155	954,513
Expenditure			
Operating expenses	9,10	421,542	449,445
General and administrative expenses	11	354,298	348,996
Cultural development expenses	12	217,066	246,103
Production costs		349	17,535
		993,255	1,062,079
Decrease in fund balance for year		(174,100)	(107,566)
General fund balance at beginning of year		2,373,842	2,481,408
General fund balance at end of year	CI\$	2,199,742	2,373,842

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Statement of Cash Flows

Year ended June 30, 2010

(stated in Cayman Islands dollars)

	2010	2009
Cash provided by/(applied in):		
Operating activities		
Decrease in fund balances for year	(174,100)	(107,566)
Add items not involving the movement of cash:		
Depreciation	103,443	90,487
Net changes in non-cash operating balances:		
Government grant receivable	28,235	117,426
Other deposits	600	(600)
Accounts payable and accrued expenses	6,232	9,395
Theatre deposits	1,630	0
	(33,960)	109,142
Investing activities		
Purchase of property, plant and equipment	(1,883)	(11,504)
	(1,883)	(11,504)
Financing activities		
Long term loan – Save Lassies House	(14,975)	22,675
Repayment of long-term debt	0	(22,500)
	(14,975)	175
(Decrease)/Increase in cash and cash equivalents for year	(50,818)	97,813
Cash and cash equivalents at beginning of year	101,543	3,730
Cash and cash equivalents at end of year	CIS 50,725	101,543

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements

June 30, 2010

(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 dependent upon the Cayman Islands Government as it is funded by an annual grant through the Ministry of Health, Environment, Youth, Sports and Culture.

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, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(d) Government grants

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

Government grants in relation to financing of working capital are treated as a part of contributed capital.

(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 comprehensive income and changes in fund balances.

(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 comprehensive income and changes in fund balances.

(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.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(i) *Financial instruments*

(i) *Classification*

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favorable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, government grant and other receivable and other deposits.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable. Financial liabilities comprise accounts payable and accrued expenses.

Financial assets classified as loans and receivables, at June 30, 2010, include government grant and other receivable and other deposits.

Financial liabilities include accounts payable and accrued expenses.

(ii) *Recognition*

The Foundation recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recorded in the statement of comprehensive income and changes in fund balances.

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

(iii) *Measurement*

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.

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for estimated future selling costs. If a quoted market price is not available, the fair value of the instrument is estimated using management's best estimates, taking into account current market conditions and the credit quality of the counterparties.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(i) Financial instruments (continued)

(v) 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

	2010	2009
Current and call accounts	36,268	87,408
Short-term fixed deposits	14,457	14,135
	CIS 50,725	101,543

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\$7,700 (2009: CI\$22,675) which relates to the restoration of Miss Lassie's House as a restricted asset. A corresponding amount equal to CI\$7,700 (2009: CI\$22,675) has been recorded as a long term debt at June 30, 2010.

4. Government grant receivable

Included in the government grant and other receivable balance is government grant receivable balance of CI\$158,300 (2009: CI\$197,635) which was fully collected subsequent to year end.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(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	159,164	23,611	3,480,855
Additions	820,000	612,000	1,883	0	1,433,883
	963,151	3,766,929	161,047	23,611	4,914,738
Accumulated depreciation:					
Balance at beginning of year	0	136,291	57,784	8,313	202,388
Charge for year	0	75,338	23,383	4,722	103,443
	0	211,629	81,167	13,035	305,831
Net book value:					
2010	CI\$ 963,151	3,555,300	79,880	10,576	4,608,907
2009	CI\$ 143,151	3,018,638	101,380	15,298	3,278,467

During the year ended June 30, 2010, the Foundation received a non-monetary grant from the Government. This grant includes land valued at CI\$820,000 and building valued at CI\$612,000. The Government grant is recognised as additional capital contribution and included as a part of contributed capital in the statement of financial position at June 30, 2010.

6. Works of art

Works of art amounting to CI\$285,000 relate to paintings that are 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.

Other works of art valued at CI\$15,255 were purchased from other artists.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

7. Contributed capital

During the year ended June 30, 2010, the Government donated land and building amounting to CI\$1,432,000 to the Foundation (refer note 5). This donation was recorded as an addition to land and buildings within property, plant, equipment and a credit to contributed capital in the statement of financial position.

8. Other income

	2010	2009
Fundraising	34,025	41,640
Production	9,076	48,679
Youth program	7,695	8,373
Other	7,060	675
	CI\$ 57,856	99,367

9. Staff costs

Included in operating expenses are salaries paid to employees totalling CI\$371,098 (2009: CI\$394,339) of which CI\$158,981 (2009: CI\$165,488) relates to key employees. Also included in operating expenses are employee benefits such as pension contribution (refer note 10) and healthcare expenses amounting to CI\$31,501 (2009: CI\$34,170) of which CI\$10,337 (2009: CI\$9,954) relates to key employees.

10. 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, 2010 the Foundation contributed CI\$18,943 (2009: CI\$17,335) to this pension plan of which CI\$7,914 (2009: CI\$7,914) relates to key employees.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

11. General and administrative expenses

	2010	2009
Maintenance fees	135,269	43,224
Depreciation	103,443	90,487
Utilities	72,834	98,133
Administration fees	32,243	21,338
Other expenses	9,476	86,242
Marketing fees	1,033	9,572
	CI\$ 354,298	348,996

12. Cultural development expenses

	2010	2009
Cayfest	112,041	108,603
Other expenses	95,133	65,464
Carifesta	0	61,927
Cultural exchange	9,892	10,109
	CI\$ 217,066	246,103

13. Fair value disclosure of financial instruments

At June 30, 2010 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.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2010

(stated in Cayman Islands dollars)

14. 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 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.

