

Financial Statements of

**CAYMAN NATIONAL CULTURAL  
FOUNDATION**

June 30, 2006 and 2005



## **CAYMAN NATIONAL CULTURAL FOUNDATION**

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## AUDITOR GENERAL'S REPORT

### To the Board of Directors of the Cayman National Cultural Foundation

I have audited the accompanying financial statements of the Cayman National Cultural Foundation (the "Foundation"), which comprise the balance sheet as at June 30, 2006 and the statement of operations and changes in fund balances and cash flow for the year ended June 30, 2006 and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 12 in accordance with the provisions of section 60(a) of the *Public Management and Finance Law, (2005 Revision)*.

#### 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion paragraph, 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 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 principles 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 rendering my opinion on the financial statements of the Foundation, 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 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 our 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 at June 30, 2006 and its financial performance and its cash flows for the year ended June 30, 2006 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 (2005 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 Company'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 (2005 Revision)*.



Alastair Swarbrick, MA (Hons), CPFA  
Auditor General

October 17, 2011  
Cayman Islands

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Balance Sheets

June 30, 2006 and 2005

*(stated in Cayman Islands dollars)*

	Note	2006	2005
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	271,266	73,542
Government grant receivable	4	316,761	157,728
Staff loans	5	5,562	8,550
Insurance claim receivable	6	1,807,749	2,007,749
Other deposits		3,431	3,431
		2,404,769	2,251,000
<b>Non-current assets</b>			
Staff loans	5	0	6,800
Property, plant and equipment	6	500,784	181,741
Works of art	7	299,155	286,155
		799,939	474,696
<b>Total assets</b>		CI\$ 3,204,708	2,725,696
<b>Liabilities and fund balances</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses		19,657	1,583
Current portion of lease liability	8	1,195	2,868
Current portion of long-term debt	9	12,500	62,500
		33,352	66,951
<b>Non-current liabilities</b>			
Long-term portion of lease liability	8	0	1,195
Long-term debt	9	60,000	72,500
		60,000	73,695
<b>Total liabilities</b>		93,352	140,646
<b>Fund balance</b>			
General fund		2,586,356	2,585,050
Contributed capital		525,000	0
		3,111,356	2,585,050
<b>Total liabilities and fund balances</b>		CI\$ 3,204,708	2,725,696

*See accompanying notes to financial statements.*

Approved by the Board of Directors on October 17, 2011

MARTYN BOULD Director

MARCIA MUTTOO Director

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Statements of Operations and Changes in Fund Balance

Years ended June 30, 2006 and 2005

*(stated in Cayman Islands dollars)*

	Note	2006	2005
<b>Revenue and support from operations</b>			
Theatre productions		56,450	44,285
Theatre rental		0	310
		56,450	44,595
<b>Other income</b>			
Grants – Government		601,644	778,408
Other income		79,330	88,366
Proceeds from insurance claim	6	0	2,007,749
		680,974	2,874,523
<b>Total revenue</b>			
		737,424	2,919,118
<b>Expenditure</b>			
Operating expenses	11	357,361	364,370
Cultural development expenses	12	218,821	220,747
General and administrative expenses	13	118,007	146,425
Production costs		41,929	34,195
Impairment on property plant and equipment	6	0	1,449,675
		736,118	2,215,412
<b>Increase in fund balances for year</b>			
		1,306	703,706
General fund balance at beginning of year		2,585,050	1,881,344
<b>General fund balance at end of year</b>			
	CI\$	2,586,356	2,585,050

*See accompanying notes to financial statements.*

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Statements of Cash Flows

Years ended June 30, 2006 and 2005  
(stated in Cayman Islands dollars)

	2006	2005
<b>Cash provided by/(applied in):</b>		
<b>Operating activities</b>		
Increase in fund balances for year	1,306	703,706
Add item not involving the movement of cash:		
Depreciation	4,842	5,505
Impairment of property, plant and equipment	0	1,449,675
Net changes in non-cash operating balances:		
Government grant receivable	(159,033)	(157,728)
Staff loans	9,788	(15,350)
Insurance claim receivable	200,000	(2,007,749)
Other deposits	0	1,007
Accounts payable and accrued expenses	18,074	(15,550)
	74,977	(36,484)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(323,885)	(71,148)
Purchase of works of art	(13,000)	0
	(336,885)	(71,148)
<b>Financing activities</b>		
Contributed capital	525,000	0
Lease liability	0	5,736
Repayment of lease liability	(2,868)	(1,673)
Repayment of long-term debt	(62,500)	0
	459,632	4,063
<b>Increase/(decrease) in cash and cash equivalents for year</b>	197,724	(103,569)
Cash and cash equivalents at beginning of year	73,542	177,111
<b>Cash and cash equivalents at end of year</b>	CIS\$ 271,266	73,542

See accompanying notes to financial statements.

# CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements

June 30, 2006 and 2005

*(stated in Cayman Islands dollars)*

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## 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).

As described in note 6, the Foundation's infrastructure was significantly affected by Hurricane Ivan in September 2004. Notwithstanding the damage caused by this event, the Foundation has continued to operate satisfactorily and continues to have adequate working capital for its operational needs. The directors therefore believe it appropriate to prepare the financial statements on a going concern basis.

## 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 periods.

### *(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, 2006 and 2005

*(stated in Cayman Islands dollars)*

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### 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. Grants are also received for special projects and these are matched with project expenditure over the term of the project and recorded in the statements of operations and changes in fund balance when the expenditure is incurred.

#### *(e) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation was 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
Computer equipment	3 years

The assets that were destroyed as a result of the hurricane (see note 6) were completely written down and the loss was recorded as an expense in the statement of operations and changes in fund balances. Compensation for the loss of property, plant and equipment is recognised in the statement of operations when receivable.

#### *(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 statements of operations and changes in fund balance.

#### *(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 statements of operations and changes in fund balance.

#### *(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, 2006 and 2005

(stated in Cayman Islands dollars)

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## 2. Significant accounting policies (continued)

### (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.

### (j) Leases

A finance lease is defined as a lease that transfers substantially all of the risks and rewards incidental to ownership of the leased asset from the lessor to the lessee. At commencement of the finance lease, the leased asset and the lease liability are recorded at the lower of the fair value of the leased asset at the inception date and the present value of the minimum lease payments at the inception date. The asset under a finance lease is depreciated in accordance with the depreciation policy used for comparable owned assets. The reduction of the lease liability is recognised using the effective interest method.

### (k) 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

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	2006	2005
Current and call accounts	258,489	61,362
Short-term fixed deposits	12,777	12,180
	CI\$ 271,266	73,542

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## 4. Government grant receivable

The government grant receivable balance of CI\$316,761 (2005: CI\$157,728) was fully collected subsequent to year end.

## CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2006 and 2005

(stated in Cayman Islands dollars)

### 5. Staff loans

As a result of the damage that was caused by Hurricane Ivan, the Foundation granted loans to its employees. The loans are interest free and are repayable over a two year period. A total amount of CI\$17,100 was granted of which CI\$5,562 (2005:CI\$15,350) remains outstanding at year end. The full amount is receivable within the next year.

### 6. Property, plant and equipment

	Land	Work-in-progress	Furniture & Fixtures	Totals
Cost:				
Balance at beginning of year	143,151	7,355	36,740	187,246
Additions	0	311,945	11,940	323,885
	143,151	319,300	48,680	511,131
Accumulated depreciation:				
Balance at beginning of year	0	32	5,473	5,505
Charge for year	0	0	4,842	4,842
	0	32	10,315	10,347
Net book value:				
2006	CI\$ 143,151	319,268	38,365	500,784
2005	CI\$ 143,151	7,323	31,267	181,741

Included in property, plant and equipment is a leased asset with cost of CI\$5,736. The asset was acquired on December 22, 2004 (See note 8).

On September 12, 2004, as a result of the catastrophic impact of Hurricane Ivan on the Cayman Islands, the Foundation's property, plant and equipment was significantly damaged. Since the hurricane and subsequent to year end, the buildings have been reconstructed and the furniture and fixtures have been replaced. The reconstruction work on the buildings has been classified as work-in-progress above. The funding for reconstruction and replacement was received by way of Grants from the Government of the Cayman Islands and proceeds from insurance coverage in place.

For the year ended June 30, 2005, the Foundation recognised impairment losses of CI\$1,449,675 in respect of the impaired assets. The Foundation has recorded an insurance claim receivable of CI\$2,007,749 in full and final settlement of the claim. Payment was received in full subsequent to the year end.

## CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2006 and 2005

*(stated in Cayman Islands dollars)*

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### 7. 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 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.

In the current year the Foundation bought an additional painting for CI\$13,000. During the year ended June 30, 2006 royalties of CI\$407 was paid (2005: none).

Other works of art valued at CI\$1,155 were purchased from other artists during the prior years.

### 8. Lease liability

During the prior year, the Foundation acquired a leased asset at a cost of CI\$5,736. Under the terms of the lease agreement, the Foundation is required to pay a monthly fee of CI\$239 for a period of 24 months. The title for the leased asset shall be transferred to the Foundation upon expiration of the lease and upon the final rental payment in accordance with the terms of the agreement. At June 30, 2006 the Foundation had an outstanding liability of CI\$1,195 (2005: CI\$4,063). The full amount is due within the next twelve months.

### 9. Long-term debt

The long-term debt is non-interest bearing and is payable in twenty semi-annual instalments of CI\$12,500 and one final payment of CI\$10,000. The long-term debt is secured by certain works of art as disclosed in note 7.

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	2006	2005
Due within one year	12,500	62,500
Due from one to five years	60,000	72,500
	CI\$ 72,500	135,000

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The debt was fully repaid to the artist's heirs in January 2009.

## CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2006 and 2005

(stated in Cayman Islands dollars)

### 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, 2006 the Foundation contributed CI\$15,865 (2005: CI\$15,801) to this pension plan.

### 11. Staff costs

Included in operating expenses are salaries and employee benefits paid to employees totalling CI\$ 313,764 (2005: CI\$383,549) of which CI\$141,591 (2005: CI\$148,721) relates to key employees.

### 12. Cultural development expenses

	2006	2005
Cultural exchange	102,830	99,516
Cayfest	59,053	50,605
Other expenses	56,938	70,626
	CI\$ 218,821	220,747

### 13. General and administrative expenses

	2006	2005
Other expenses	38,467	33,833
Utilities	24,775	31,672
Administration fees	26,121	21,118
Marketing fees	14,269	150
Maintenance fees	9,533	54,146
Depreciation	4,842	5,506
	CI\$ 118,007	146,425

### 14. Fair value disclosure of financial instruments

At June 30, 2006 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, staff loans, insurance claim receivable and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

# CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2006 and 2005

*(stated in Cayman Islands dollars)*

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## **14. Fair value disclosure of financial instruments (continued)**

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.

## **15. 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, government grant receivable, staff loans and insurance claims 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.