

Financial Statements of

**CAYMAN NATIONAL CULTURAL
FOUNDATION**

June 30, 2007 and 2006



CAYMAN NATIONAL CULTURAL FOUNDATION

Table of Contents

	Page
Independent Auditors' Report to the Members	1-2
Balance Sheets	3
Statements of Operations and Changes in Fund Balance	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12



Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
PO Box 2583
Grand Cayman, KY1-1103, Cayman Islands

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, 2007 and the statement of operations and changes in fund balances and cash flow for the year ended June 30, 2007 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, 2007 and its financial performance and its cash flows for the year ended June 30, 2007 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, 2007 and 2006

(stated in Cayman Islands dollars)

	Note	2007	2006
Assets			
Current assets			
Cash and cash equivalents	3	16,941	271,266
Government grant receivable	4	534,062	316,761
Staff loans	5	0	5,562
Insurance claim receivable		0	1,807,749
Others deposits		3,431	3,431
		554,434	2,404,769
Non-current assets			
Property, plant and equipment	6	3,236,761	500,784
Works of art	7	299,455	299,155
		3,536,216	799,939
Total assets		CI\$ 4,090,650	3,204,708
Liabilities and fund balances			
Current liabilities			
Bank overdraft	3	20,464	0
Accounts payable and accrued expenses		65,858	19,657
Current portion of lease liability	8	0	1,195
Current portion of long-term debt	9	12,500	12,500
		98,822	33,352
Non-current liabilities			
Long-term debt	9	35,000	60,000
		35,000	60,000
Total liabilities		133,822	93,352
Fund balance			
General fund		2,531,237	2,586,356
Contributed capital		1,425,591	525,000
		3,956,828	3,111,356
Total liabilities and fund balances		CI\$ 4,090,650	3,204,708

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, 2007 and 2006
(stated in Cayman Islands dollars)

	Note	2007	2006
Revenue and support from operations			
Theatre rental		2,000	0
Theatre productions		0	56,450
		2,000	56,450
Other income			
Grants – Government		728,478	601,644
Other income		70,434	79,330
		798,912	680,974
Total revenue		800,912	737,424
Expenditure			
Operating expenses	11	441,796	357,361
Cultural development expenses	12	226,880	218,821
General and administrative expenses	13	168,878	118,007
Production costs		17,827	41,929
Theatre productions		650	0
		856,031	736,118
(Decrease)/increase in fund balance for year		(55,119)	1,306
General fund balance at beginning of year		2,586,356	2,585,050
General fund balance at end of year	CI\$	2,531,237	2,586,356

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Statements of Cash Flows

Years ended June 30, 2007 and 2006
(stated in Cayman Islands dollars)

	Note	2007	2006
Cash provided by/(applied in):			
Operating activities			
(Decrease)/Increase in fund balance for year		(55,119)	1,306
Add item not involving the movement of cash:			
Depreciation		19,412	4,842
Net changes in non-cash operating balances:			
Government grant receivable		(217,301)	(159,033)
Staff loans		5,562	9,788
Insurance claim receivable		1,807,749	200,000
Accounts payable and accrued expenses		46,201	18,074
		1,606,504	74,977
Investing activities			
Purchase of property, plant and equipment		(2,755,389)	(323,885)
Purchase of works of art		(300)	(13,000)
		(2,755,689)	(336,885)
Financing activities			
Contributed capital		900,591	525,000
Repayment of lease liability		(1,195)	(2,868)
Repayment of long-term debt		(25,000)	(62,500)
		874,396	459,632
(Decrease)/increase in cash and cash equivalents for year		(274,789)	197,724
Cash and cash equivalents at beginning of year		271,266	73,542
Cash and cash equivalents and bank overdraft at end of year	3	CI\$ (3,523)	271,266

See accompanying notes to financial statements.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements

June 30, 2007 and 2006

(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).

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 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, 2007 and 2006

(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. 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 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
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 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 statement of operations and changes in fund balance.

(h) Cash and cash equivalents and bank overdrafts

For the purpose of the statements of cash flows, cash and cash equivalents include bank balances, including overdraft 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, 2007 and 2006

(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

	2007	2006
Current and call accounts	2,056	258,489
Short-term fixed deposits	14,885	12,777
Bank overdraft	(20,464)	0
	CI\$ (3,523)	271,266

4. Government grant receivable

The government grant receivable balance of CI\$534,062 (2006: CI\$316,761) was fully collected subsequent to year end.

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\$Nil (2006: CI\$5,562) remains outstanding at year end. The full amount was received in the current year.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2007 and 2006

(stated in Cayman Islands dollars)

6. Property, plant and equipment

	Land	Buildings	Furniture & Fixtures	Totals
Cost:				
Balance at beginning of year	143,151	319,300	48,680	511,131
Additions	0	2,698,851	56,538	2,755,389
	143,151	3,018,151	105,218	3,266,520
Accumulated depreciation:				
Balance at beginning of year	0	32	10,315	10,347
Charge for year	0	10,061	9,351	19,412
	0	10,093	19,666	29,759
Net book value:				
2007	CI\$ 143,151	3,008,058	85,552	3,236,761
2006	CI\$ 143,151	319,268	38,365	500,784

Included in furniture and fittings 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 the buildings have been reconstructed and the furniture and fixtures have been replaced. The building became operational in May 2007. The funding for reconstruction and replacement was received by way of contributed capital from the Government of the Cayman Islands and proceeds from insurance coverage in place.

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2007 and 2006

(stated in Cayman Islands dollars)

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 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, 2007 royalties of CI\$Nil (2006: 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\$1,455 were purchased from other artists.

8. Lease liability

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, 2007 the Foundation had obtained title to the leased asset and had an outstanding liability of CI\$Nil (2006: CI\$1,195).

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.

	2007	2006
Due within one year	12,500	12,500
Due from one to five years	35,000	60,000
	<hr/>	<hr/>
	CI\$ 47,500	72,500

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

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2007 and 2006

(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, 2007 the Foundation contributed CI\$20,715 (2006: CI\$15,865) to this pension plan.

11. Staff costs

Included in operating expenses are salaries and employee benefits paid to employees totalling CI\$350,606 (2006: CI\$313,764) of which CI\$156,977 (2006: CI\$141,591) relates to key employees.

12. Cultural development expenses

	2007	2006
Cayfest	88,165	59,053
Cultural exchange	65,847	102,830
Other expenses	37,525	56,938
Carifesta	35,343	0
	CI\$ 226,880	218,821

13. General and administrative expenses

	2007	2006
Maintenance fees	84,228	9,533
Utilities	31,773	24,775
Depreciation	19,412	4,842
Administration fees	16,734	26,121
Other expenses	13,729	38,467
Marketing fees	3,002	14,269
	CI\$ 168,878	118,007

CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2007 and 2006

(stated in Cayman Islands dollars)

14. Fair value disclosure of financial instruments

At June 30, 2007 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, bank overdraft 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.

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 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, 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.