

Financial Statements of

**CAYMAN NATIONAL CULTURAL  
FOUNDATION**

June 30, 2008 and 2007



## **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, 2008 and the statement of operations and changes in fund balances and cash flow for the year ended June 30, 2008 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, 2008 and its financial performance and its cash flows for the year ended June 30, 2008 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

November 5, 2011  
Cayman Islands

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Balance Sheets

June 30, 2008 and 2007  
(stated in Cayman Islands dollars)

	Note	2008	2007
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	20,457	16,941
Government grant receivable	4	342,456	534,062
Others deposits		3,431	3,431
		366,344	554,434
<b>Non-current assets</b>			
Property, plant and equipment	5	3,357,450	3,236,761
Works of art	6	300,255	299,455
		3,657,705	3,536,216
<b>Total assets</b>	CI\$	4,024,049	4,090,650
<b>Liabilities and fund balances</b>			
<b>Current liabilities</b>			
Bank overdraft	3	16,727	20,464
Accounts payable and accrued expenses		77,823	65,858
Current portion of long-term debt	7	22,500	12,500
		117,050	98,822
<b>Non-current liabilities</b>			
Long-term debt	7	0	35,000
		0	35,000
<b>Total liabilities</b>		117,050	133,822
<b>Fund balance</b>			
General fund		2,481,408	2,531,237
Contributed capital		1,425,591	1,425,591
		3,906,999	3,956,828
<b>Total liabilities and fund balances</b>	CI\$	4,024,049	4,090,650

See accompanying notes to financial statements.

Approved by the Board of Directors on November 5, 2011

MARTYN BOULD  
\_\_\_\_\_  
Director

MARCIA MUTTOO  
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Director

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Statements of Operations and Changes in Fund Balances

Years ended June 30, 2008 and 2007  
(stated in Cayman Islands dollars)

	Note	2008	2007
<b>Revenue and support from operations</b>			
Theatre rental		64,858	2,000
		64,858	2,000
<b>Other income</b>			
Grants – Government		837,348	728,478
Other income		106,927	70,434
		944,275	798,912
<b>Total revenue</b>		1,009,133	800,912
<b>Expenditure</b>			
Operating expenses	9	473,265	441,796
Cultural development expenses	10	201,771	226,880
General and administrative expenses	11	350,704	168,878
Production costs		33,222	17,827
Theatre productions		0	650
		1,058,962	856,031
<b>Decrease in fund balance for year</b>		(49,829)	(55,119)
General fund balance at beginning of year		2,531,237	2,586,356
General fund balance at end of year	CI\$	2,481,408	2,531,237

*See accompanying notes to financial statements.*

## CAYMAN NATIONAL CULTURAL FOUNDATION

### Statements of Cash Flows

Years ended June 30, 2008 and 2007  
*(stated in Cayman Islands dollars)*

	Note	2008	2007
<b>Cash provided by/(applied in):</b>			
<b>Operating activities</b>			
Decrease in fund balances for year		(49,829)	(55,119)
Add item not involving the movement of cash:			
Depreciation		82,142	19,412
Net changes in non-cash operating balances:			
Government grant receivable		191,606	(217,301)
Staff loans		0	5,562
Insurance claim receivable		0	1,807,749
Accounts payable and accrued expenses		11,965	46,201
		235,884	1,606,504
<b>Investing activities</b>			
Purchase of property, plant and equipment		(202,831)	(2,755,389)
Purchase of works of art		(800)	(300)
		(203,631)	(2,755,689)
<b>Financing activities</b>			
Contributed capital		0	900,591
Repayment of lease liability		0	(1,195)
Repayment of long-term debt		(25,000)	(25,000)
		(25,000)	874,396
<b>Increase/(decrease) in cash and cash equivalents for year</b>		<b>7,253</b>	<b>(274,789)</b>
Cash and cash equivalents and bank overdraft at beginning of year		(3,523)	271,266
<b>Cash and cash equivalents and bank overdraft at end of year</b>	3 CI\$	<b>3,730</b>	<b>(3,523)</b>

*See accompanying notes to financial statements.*

# CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements

June 30, 2008 and 2007

*(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).

## 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, 2008 and 2007

*(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 statement 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
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 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 and bank overdraft*

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

# CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2008 and 2007

(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) 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.

### (k) Comparative information

Certain amounts reflected in the balance sheets, statements of operations and changes in fund balance, and cash flows have been reclassified to conform with the current year's presentation.

## 3. Cash and cash equivalents and bank overdraft

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	2008	2007
Current and call accounts	6,592	2,056
Short-term fixed deposits	13,865	14,885
Bank overdraft	(16,727)	(20,464)
	CI\$ 3,730	(3,523)

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## CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2008 and 2007

*(stated in Cayman Islands dollars)*

### 4. Government grant receivable

The government grant receivable balance of CI\$342,456 (2007: CI\$534,062) was fully collected subsequent to year end.

### 5. Property, plant and equipment

	Land	Buildings	Furniture & Fixtures	Motor Vehicles	Totals	
Cost:						
Balance at beginning of year	143,151	3,018,151	105,218	0	3,266,520	
Additions	0	136,778	42,442	23,611	202,831	
	143,151	3,154,929	147,660	23,611	3,469,351	
Accumulated depreciation:						
Balance at beginning of year	0	10,093	19,666	0	29,759	
Charge for year	0	63,099	15,452	3,591	82,142	
	0	73,192	35,118	3,591	111,901	
Net book value:						
2008	CI\$	143,151	3,081,737	112,542	20,020	3,357,450
2007	CI\$	143,151	3,008,058	85,552	0	3,236,761

## CAYMAN NATIONAL CULTURAL FOUNDATION

Notes to Financial Statements (continued)

June 30, 2008 and 2007

*(stated in Cayman Islands dollars)*

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### 6. Works of art

On June 4, 1998, the Foundation purchased certain works of art at a cost of CI\$285,000 comprising CI\$275,000 for paintings and CI\$10,000 for the copyright to the paintings. Under the agreement, CI\$25,000 was paid to the artist upon delivery and possession of the paintings to the Foundation during 1998. The balance of CI\$260,000 will be paid to this artist in instalments over ten years. The Foundation also agreed to pay a royalty fee of 10% of the wholesale value of any reproduction of the paintings or any item bearing the image of the paintings to the artist during her lifetime and to her son during his lifetime but not thereafter. During the year ended June 30, 2008 royalties of CI\$Nil (2007: CI \$Nil) were paid.

Under the terms of the agreement, the paintings are to be held in Trust for the people of the Cayman Islands, and may not be sold, assigned, charged, or encumbered in any way without the permission of the artist, her heirs and successors. The asset is therefore deemed to be restricted in its use. In the event of default by the Foundation, the Foundation shall return and deliver to the artist, her heirs or successors all paintings being part of the collection which remains unpaid.

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

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

### 7. 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 6.

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	2008	2007
Due within one year	22,500	12,500
Due from one to five years	0	35,000
	CI\$ 22,500	47,500

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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, 2008 and 2007

*(stated in Cayman Islands dollars)*

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### 8. Pension scheme

The Foundation participates in the Colonial Private Trust Pension Plan a defined contribution pension fund. Cayman Islands law requires that all employees participate in a pension scheme. The Foundation is required to match each employee's contribution on a one to one basis up to 5% of the employee's annual salary up to CI\$60,000. During the year ended June 30, 2008 the Foundation contributed CI\$20,916 (2007: CI\$20,715 ) to this pension plan.

### 9. Staff costs

Included in operating expenses are salaries and employee benefits paid to employees totalling CI\$410,277 (2007: CI\$350,606) of which CI\$157,778 (2007: CI\$156,977) relates to key employees.

### 10. Cultural development expenses

	2008	2007
Cultural exchange	75,313	65,847
Other expenses	63,328	37,525
Cayfest	63,130	88,165
Carifesta	0	35,343
	CI\$ 201,771	226,880

### 11. General and administrative expenses

	2008	2007
Utilities	95,093	31,773
Depreciation	82,142	19,412
Other expenses	87,262	13,729
Maintenance fees	51,298	84,228
Administration fees	18,089	16,734
Marketing fees	16,820	3,002
	CI\$ 350,704	168,878

## **CAYMAN NATIONAL CULTURAL FOUNDATION**

Notes to Financial Statements (continued)

June 30, 2008 and 2007

*(stated in Cayman Islands dollars)*

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### **12. Fair value disclosure of financial instruments**

At June 30, 2008 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.

### **13. Financial instruments and associated risks**

The Foundation's activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most significant type of financial risk to which the Foundation is exposed is credit risk.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Foundation. Financial assets which potentially expose the Foundation to credit risk consist of cash and cash equivalents, 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.