Office of the Auditor General
CAYMAN ISLANDS

CAYMAN NATIONAL CULTURAL FOUNDATION

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

AUGUST 2026

To help the public service spend wisely

TABLE OF CONTENTS

Office of the Auditor General
CAYMAN ISLANDS

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2025 financial statements of the Cayman National Cultural Foundation (the Foundation). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Foundation in sufficient time to enable them to take appropriate action. The matters we are required to communicate under ISAs include:

    - Auditor's responsibilities in relation to the audit
    - The overall scope and approach to the audit, including any expected limitations, or additional requirements
    - Relationships that may bear on our independence, and the integrity and objectivity of our staff
    - Expected modifications to the audit report
    - Significant findings from our audit.

2. This report sets out for the consideration of those charged with governance, those matters arising from the audit of the 2025 financial statements that we consider worthy of drawing to your attention.

3. This report has been prepared for the sole use of those charged with governance, and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act* (*2021 Revision*), it is the policy of the Office of the Auditor General to proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters, and this report includes only those matters of interest that came to our attention during the performance of our audit.

Office of the Auditor General
CAYMAN ISLANDS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 26 August 2025. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

6. While we have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we have read the other information contained in the Foundation's annual report and noted that it is materially consistent with information appearing in the financial statements and our knowledge of the operations of the Foundation. We have not reviewed other documents containing the Foundation's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter presented to the Board Chairman and Managing Director and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We issued a qualified audit report on the Foundation's 31 December 2025 financial statements. The Basis for Qualified Opinion paragraph highlighted that the Foundation's property and equipment balance in the Statement of Financial Position includes heritage assets amounting to $576,179, of which $412,237 represents a collection of artworks. The artworks register includes 36 paintings to which no cost or valuation has been assigned. Therefore, these are not recognised in the financial statements. The paragraph also highlighted that there is an unreconciled difference of $24,822 between the artworks collection balance in the financial statements and the underlying artworks register. Consequently, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary to Heritage Assets and the General Fund balances in the financial statements.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no unadjusted misstatements.

10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 30 April 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Foundation's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

12. Generally accepted accounting principles provide for the Foundation to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Foundation's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. Management has made judgments and estimates with regard to the following financial statement items:

- Useful lives of property, plant and equipment - $291,148
- Expected Credit Losses – $28,951
- Value and useful life of art works - $412,237

GOING CONCERN DOUBTS

14. As a result of our audit, we did not become aware of any events and conditions that may cast significant doubt on the Foundation's ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Internal control matters and significant findings are noted in Appendix 2, along with management's response.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged with governance of the entity and with management. It is important that management, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

17. They are also responsible for establishing and maintaining controls pertaining to the Foundation's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. When exercising oversight responsibility, those charged with governance should consider the potential for management to override controls or exert other inappropriate influences over the financial reporting process.

18. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.

19. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

20. No fraud or illegal acts came to our attention during the 2025 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

22. We have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

23. In February 2025, the Cabinet authorised supplementary appropriations of $36,042 for the Foundation under section 11(5) of the Public Management and Finance Act (PMFA). The purpose of the additional funding was to cover a Cost-of-Living Adjustment for the Foundation's staff salaries. A supplementary appropriations bill for this budget change was not introduced in Parliament before 31 March 2026, as required by section 11(6) of the PMFA.

Office of the Auditor General
CAYMAN ISLANDS

24. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

25. We would like to express our thanks to the Foundation's staff for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours sincerely,

Winston Sobers, FCCA, CFE
Acting Auditor General

Office of the Auditor General
CAYMAN ISLANDS

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Name	FS Level	Debit ($)	Credit ($)	Proposed by
1	Provision for Bad Debt Bad Debt Expense *Being adjustment to the ECL provision for the year*	Assets Expenses	3,270	 (3,270)	OAG
2	Land & Buildings: Land Revaluation *To adjust the value of land (Miss Lassie's House) based on Dec 31, 2025 valuation report*	Assets Equity	700,000	 (700,000)	The Foundation
3	Works of Art: Heritage Asset-Mind's Eye Retained Earnings *To recognize Ms. Lassie's House (Heritage asset) based on January 1, 2025 valuation report*	Assets Equity	170,500	 (170,500)	The Foundation
4	Accumulated Depreciation: Heritage Assets - Miss Lassie House Depreciation Expense *To record depreciation on Miss Lassie's House (Heritage asset) for 2025.*	Assets Expenses	 6,558	(6,558)	The Foundation
5	Land & Buildings: Buildings Accumulated Depreciation: Land & Building Accumulated Depreciation Revaluation *To adjust the value of Mind's Eye Duplex based on Dec 31, 2025, valuation report.*	Assets Assets Equity	280,814 40,025	 (320,839)	The Foundation
6	Work In Progress Furniture, Fixtures & Equipment Accumulated Depreciation: Furniture & Fittings Accumulated Depreciation Depreciation Expense	Assets Assets Assets Expenses	 61,801 2,493	(61,801) (2,493)	OAG OAG OAG OAG

Number	Name	FS Level	Debit ($)	Credit ($)	Proposed by
	To capitalize costs for Lighting Equipment including freight (completed) and record the related depreciation.				
7	Land & Buildings: Buildings Accumulated Depreciation: Land & Building Accumulated Depreciation Maintenance/Upkeep Depreciation Expense To expense costs for HT Interior and Exterior Painting and reverse depreciation charged in error in 2025	Assets Assets Expenses Expenses	 115 10,360	(10,360) (115)	OAG OAG OAG OAG
8	Fundr Income: Gimistory Program Expense: Gimistory *To adjust contribution from Government for Gimistory expenses as revenue rather than a deduction from expense.*	Revenue Expenses	 47,163	(47,163)	OAG OAG
9	Undeposited Funds Sales: Bar Sales *To correct entries dated 2025-12-08 re: Bar Sales, Centre Pointe - included book sales from Bould event*	Assets Revenue	 234	(234)	The Foundation
10	Intangible Assets: Intangible Assets - Accumulated Amortisation Amortization Expense *To adjust for Cayfest & RSAN Trademark amortization that was not posted for the month of September.*	Assets Expenses	 34	(34)	The Foundation
11	Accumulated Depreciation: Furniture &Fittings Accumulated Depreciation Depreciation Expense *Adjustment to match OAG TB to client TB*	Assets Expenses	 450	(450)	The Foundation

Number	Name	FS Level	Debit ($)	Credit ($)	Proposed by
		Gross impact	**1,323,816**	**(1,323,816)**	

The OAG identified seven of the 11 adjusted misstatements. The Foundation identified the other four.

APPENDIX 2 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Non-compliance with Acts and Regulations					
1. **Non-compliance with the Procurement Regulations (2022 Revision), (the Regulations)** For procurements with a value of below one hundred thousand dollars ($100,000), section 7(2)(b) of the Regulations requires public bodies to conduct procurement by open tendering, unless they obtain at least three quotes from local suppliers.	**Risk/ Implication:** The Foundation cannot demonstrate that it obtained value for money in acquiring goods and services because competitive pricing was not sought or evidenced. The continued use of the same vendors over	N	Y	CNCF acknowledges that over the first few months of 2025 contracts were awarded without application of the legal requirements laid out in the Procurement Regulations (2022 Revision).	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
We tested a sample of nine procurements undertaken by the Foundation during the year and found that the Foundation did not comply with the requirements of section 7(2)(b) of the Regulations in six instances — an exception rate of 67%. The Foundation incurred approximately $113,000 in costs in respect of these non-compliant procurements, as highlighted in the table below:	multiple years without a competitive process increases the risk of overpaying and may give rise to a perception of favouritism or undisclosed conflicts of interest.			**TCWG do not have any interest in any of CNCF service providers.** **Concerning the non-compliant procurement items:** Landscaping contract is with Pro Plus for $900/pm. The	

Description	Amount ($)
Landscaping	25,534
Accounting services	20,766

<table>
<tr><th>Observation</th><th>Risk/Implication and Recommendation</th><th>Recurring issue (Y/N)</th><th>Recommendation accepted by Management (Y/N)</th><th>Management Response</th><th>Implementation Date</th></tr>
<tr><td><table>
<tr><td>Graphic arts and communication services</td><td>20,000</td></tr>
<tr><td>Property management</td><td>18,014</td></tr>
<tr><td>Film production</td><td>15,266</td></tr>
<tr><td>Audit, lighting, labour and technical support</td><td>13,315</td></tr>
<tr><td>Total</td><td>112,895</td></tr>
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In four of the eight exceptions, the Foundation has continued to acquire goods or services from the same vendors since at least 2023, without evidence of a competitive procurement process. The four multi-year contracts are the landscaping, graphic arts and communication,</td><td></td><td></td><td></td><td>payments here were made to Green Eyes Landscaping. The owners of the company, has been a defacto grounds man, doing work that the current groundman is not able to and on a wider scale. His familiarity with Mind's Eye and the Harquail Theatre grounds is the main reason he is the preferred vendor for CNCF. CNCF does appreciate that this is</td><td></td></tr>
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Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
accounting and property management service contracts.				not within the procurement rules but proffers that sometimes this is more cost effective and efficient. Accounting services were under contract with Link for a year to July 2026. These services are going to RFP August 2026. Graphic arts and communication services: These	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	Recommendation: Management should immediately: • ensure all procurements comply with the Regulations, including obtaining and documenting at least three quotes or undertaking open			services are directly related to the ERG Team production of resources. The initial contract was for 3 months, then renewed for another 3. When it became apparent this had crossed the line for procurement rules, an RFP was sent with only 1 response from the same vendor coming in at $105,000.00. The decision was made to continue a periodic	October 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	tendering as required; • maintain procurement records evidencing the basis for supplier selection and value for money; • review existing recurring vendor arrangements and subject them to a competitive process before further renewals; and			arrangement to ensure graphic and design services was available on a consistent basis. BCQS were advised their property management services were going to RFP in 2026, scheduled for August. Film production was quoted on by more than one vendor. CNCF acknowledges	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	• conduct procurement training for staff responsible for purchasing.			that the supporting paperwork was not completed. Procurement rules for filming services in 2026 were followed. Management has, since mid-2025, ensured that all procurements: • complied with the Regulations, including obtaining and	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				documenting at least three quotes or undertaking open tendering as required; • maintained procurement records evidencing the basis for supplier selection and value for money • All vendors are due to go out to RFP in 2026 for implementation in 2027.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				• Procurement Training will be done but timing is subject to the CPO general training sessions in person and through access to the Civil Service College online courses.	
Financial Management					
2. The Foundation does not have a formal written plan to improve its financial performance	**Risk/ Implication:**	N	Y	There is significant conflict between the	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
The Foundation incurred a deficit of $482,000 in 2025. While a surplus of $160,000 was reported in 2024, this included $457,000 of non-cash revenue arising from the Ministry of Finance and Economic Development writing off a long-outstanding payment due from the Foundation. Excluding this one-off item, the Foundation incurred an adjusted deficit of $297,000 in 2024, indicating that operating deficits have been sustained across both years.	The Foundation may not be able to meet its current obligations as and when due. Without developing a formal plan to improve the Foundation's financial performance, Management and the Board may be forced into short-term, reactive measures rather than implementing a structured, sustainable financial recovery strategy.			2025 budget and delivery of programming that supported the strategic redirection. The strategic redirection moved CNCF from being production centric to becoming a facilitator, capacity builder and thought leader. These changes require a refocus on programming. The 2025 budget was crafted in 2023 so with	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
The Foundation's liquidity position at 31 December 2025 was also constrained: • Current assets were $3.5 million; however, excluding the restricted funds from the Harquail bequest of $3.2 million, available current assets were only $300,000. • Of this $300,000, only $66,000 was held in cash, with the balance in other current assets. • Current liabilities were $245,000 as at the same date.				the increased COL it was difficult not to exceed the budget. The Strategic Redirection was built with heavy fundraising as a key element. Fundraising was not achieved in 2025 as lingering redirection elements had to be addressed such as a more robust programming menu that commanded donor appeal, revision of the rebranding	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
With only $66,000 held in the operating bank account against current liabilities of $245,000, the Foundation has limited unrestricted resources available to meet its obligations as they fall due. Despite these financial pressures, the Foundation does not have a formal written plan setting out how it intends to return to a sustainable financial position.	**Recommendation:**			exercise due to negative community response and the total rebuild of the website. This took longer than initially appreciated. Concerning cash to repay liabilities at the end of 2025, $193,375 was due from CIG for CNCF's Q4 2025 quarterly stipend. Timing differences in the amount of cash available and the due date of payables	September 30, 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	Management and the Board should develop, formally document and implement a financial performance improvement plan by the end of Q3 2026. The plan should be approved and monitored by the Board.			should always be considered. Included in the current liabilities at that date was $181,002 for 2024-25 and 2025-26 Insurance premiums. Recall also that there is inclusion of non-cash items in the 2025 statements: • Depreciation amortization amounted to $291,148;	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				• Increase of Bad Debt expense due an amount due from CIG - $19,233; • Intangibles for the brand and website of $23,000. CNCF has a demanding fundraising ask in 2026 and 2027. Both years forecast a positive bottom line. The Fundraising	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				Committee will begin renewed efforts in August 2026. The goal of the committee will be to build a sustainable fundraising model which will support CNCF operations to break-even. Monthly cash-flow forecast preparation for review with EXCO will be added to the financial review cycle to ensure that	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				management and governance remain aligned and problematic areas are addressed routinely.	
3. There is no formal contract for outsourced ticket sales The Foundation outsources ticket sales for some of its events — for example, *Wha Happening* — to an external company. However, there is no written contract in place governing this arrangement. As a result, the terms of the engagement, including the vendor's responsibilities, fee or commission structure, the timing and	**Risk/ Implication:** Without a valid contract, the Foundation has limited recourse if the vendor fails to perform, fails to remit ticket proceeds, or remits them late or incompletely.	N	Y	This is a legacy issue, and the risk / implications are noted.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
basis for remitting ticket proceeds to the Foundation, and the controls over cash collected on the Foundation's behalf, are not formally documented or agreed.	Ticket revenue collected by the vendor on the Foundation's behalf may not be completely or accurately accounted for and remitted. **Recommendation:** Management should enter into a contract with the ticket sales vendor before the Foundation's next event. At a minimum, the contract should			CNCF management will reach out to TicketsPlus to arrange a formal contract ensuring that all the recommendations are incorporated. There are measures in place to reconcile the	Underway Ongoing Ongoing

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	clearly set out the scope of services, fee or commission structure, the basis and timing for remitting ticket proceeds to the Foundation, and each party's responsibilities and liabilities. The contract should also set out reporting requirements, including regular reconciliations of tickets sold and proceeds remitted.			ticket sales to cash as part of the bank reconciliation process. Management advised the accountants that from April for 2026 onward they are to record gross sales and show the commissions as an expense. This also requires an update in the Accounting Policy and Procedure manual.	December 31, 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Quality of financial statements and submissions					
4. The Foundation has yet to fully implement IPSAS 45 IPSAS 45, *Property, Plant and Equipment*, was issued in May 2023 and became effective on 1 January 2025, replacing IPSAS 17. Among other changes, IPSAS 45 removed the scope exclusion for heritage assets. It therefore requires entities to recognise and measure heritage assets that meet the definition of property, plant and equipment in their financial statements, where these assets can be reliably measured.	**Risk/ Implication:** My Office was unable to obtain sufficient and appropriate audit evidence to determine whether any adjustments were necessary to Heritage Assets and the General Fund balances in the Foundation's financial statements. As a result, the Foundation's financial statements for the year ended 31 December 2025 were	N	Y	CNCF accepted the audit qualification regarding the valuation of the Heritage assets and would like to emphasize that this qualification referred only to the GKB Collection of original artworks. Following a CIG ordered valuation of the Mind's Eye buildings, the value recorded on the financials was increased to reflect	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
As at 31 December 2025, the Foundation had not fully implemented IPSAS 45, 36 paintings in its art collection had not been valued or recognised, and an unreconciled difference of about $25,000 remained between the artworks register and the financial statements.	qualified and will continue to be qualified until it fully implements IPSAS 45. In addition, management and other users of the financial statements cannot fully rely on the Foundation's financial statements for decision-making because property and equipment are misstated. **Recommendation:** Management should develop and implement an action plan to ensure			the increase in market value and included the net depreciable value of the historic cottage. CNCF is actively interrogating their conservationists for the names of appropriate appraisers who can credibly determine the value of	December 31, 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	the Foundation fully complies with IPSAS 45 by the end of 2026. The plan should include engaging a suitably qualified valuer to value the paintings not yet recognised, resolving the unreconciled difference between the artworks register and the financial statements and confirming the completeness and accuracy of the register.			the GKB collection. It is anticipated that the chosen Appraiser will visit in Q4 of 2026 in time for the required adjustments to be made in the financials.	