

**The Bermuda Musical and  
Dramatic Society**

**Financial Statements and  
Independent Auditors' Report**

**May 31, 2018**

## INDEPENDENT AUDITORS' REPORT

To the Members of  
The Bermuda Musical and Dramatic Society

We have audited the accompanying financial statements of The Bermuda Musical and Dramatic Society (the "Society") which comprise the statement of financial position as at May 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended May 31, 2018 and 2017, current assets as at May 31, 2018 and 2017, and net assets as at June 1 and May 31 for both 2018 and 2017. Our audit opinion on the financial statements for the year ended May 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at May 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

**Additional Information**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information is presented for the purpose of additional analysis of the financial statements. This analysis is the responsibility of the Society's management. The additional information for the year ended May 31, 2018 has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

*Deloitte Ltd.*

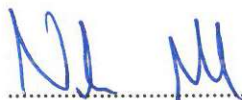
October 18, 2018

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
as at May 31, 2018  
*(expressed in Bermuda dollars)*

	2018	2017
<b>CURRENT ASSETS</b>		
Cash	\$ 215,193	\$ 126,499
Accounts receivable (net of allowance for doubtful accounts of \$nil (2017: \$nil) (Note 4))	48,530	29,677
Inventories	13,253	11,820
Prepaid expenses	8,477	15,759
	285,453	183,755
<b>CAPITAL ASSETS (Note 5)</b>	718,890	774,248
	\$ 1,004,343	\$ 958,003
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 33,598	\$ 14,537
Deferred donations (Note 3)	8,896	10,960
	42,494	25,497
<b>NET ASSETS</b>		
Net assets invested in capital assets	218,890	274,248
Unrestricted net assets	742,959	658,258
	961,849	932,506
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,004,343	\$ 958,003

*See accompanying notes to the financial statements*

APPROVED BY THE EXECUTIVE COMMITTEE

.....President

.....Treasurer

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF OPERATIONS**  
for the year ended May 31, 2018  
*(expressed in Bermuda dollars)*

	2018	2017
Revenues		
Musical and dramatic productions (net) - Schedule 2	\$ 77,322	\$ 93,332
Rental of premises, car park	50,880	50,980
Members' and patrons' subscriptions	56,783	57,225
Daylesford bar - Schedule 1	50,928	47,608
Donations and fundraising (Note 3 and 8)	21,229	22,073
Rental of premises, other	1,930	2,322
Interest income	8	5
	259,080	273,545
Expenses		
Daylesford:		
Repairs and maintenance - Schedule 3 (Note 4)	45,251	59,920
Amortization of renovations	44,071	52,507
Utilities	28,472	34,130
Insurance	27,630	26,956
Land tax	20,269	19,992
Amortization of theatre building	4,306	1,484
Security services	400	1,330
	170,399	196,319
General		
Professional fees (Note 8)	24,981	25,016
Amortization of furniture and equipment	16,094	14,437
Internet access	4,020	1,138
Social events	3,640	629
Other	3,000	1,349
Paper supplies stationery and postage	2,780	4,078
Theatre - sundry hardware and tools	1,750	831
Interest and bank charges	1,541	6,461
Telephone	1,532	2,275
	59,338	56,214
Other income (Note 4)	-	29,677
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 29,343</b>	<b>\$ 50,689</b>

*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended May 31, 2018  
*(expressed in Bermuda dollars)*

	Invested in Capital Assets	Unrestricted	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 274,248	\$ 658,258	\$ 932,506	\$ 881,817
Excess of revenues over expenses	(64,471)	93,814	29,343	50,689
Investment in capital assets	9,113	(9,113)	-	-
BALANCE, END OF YEAR	<u>\$ 218,890</u>	<u>\$ 742,959</u>	<u>\$ 961,849</u>	<u>\$ 932,506</u>

*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF CASH FLOWS**  
for the year ended May 31, 2018  
*(expressed in Bermuda dollars)*

	2018	2017
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 29,343	\$ 50,689
Add items not affecting cash:		
Amortization	64,471	68,428
Impairment loss capital assets	-	9,802
Changes in assets and liabilities:		
Accounts receivable	(18,853)	(29,127)
Inventories	(1,433)	2,826
Prepaid expenses	7,282	14,440
Accounts payable and accrued liabilities	19,061	(2,514)
Deferred donations	(2,064)	(2,064)
	<hr/>	<hr/>
Net cash provided by operating activities	97,807	112,480
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<b>INVESTING ACTIVITIES:</b>		
Purchase of capital assets, being net cash used in investing activities	(9,113)	(49,580)
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<b>FINANCING ACTIVITIES:</b>		
Repayment of debentures, being net cash used in financing activities	-	(100,000)
	<hr/>	<hr/>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>88,694</b>	<b>(37,100)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>126,499</b>	<b>163,599</b>
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<b>CASH, END OF YEAR</b>	<b>\$ 215,193</b>	<b>\$ 126,499</b>
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*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

1. DESCRIPTION OF BUSINESS

The Bermuda Musical and Dramatic Society (the “Society”) was formed under the laws of Bermuda by The Bermuda Musical and Dramatic Society Act 1950. The purposes of the Society are the stimulation of interest in and the appreciation of music, drama and the related arts and, for the furtherance of these purposes:

- (a) to engage in musical and dramatic activities;
- (b) to sponsor concerts, dramatic productions and lectures;
- (c) to establish and maintain suitable facilities for such activities; and,
- (d) to establish and maintain educational facilities in the said arts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of preparation*

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada, Part III of the CPA Canada Handbook and include the following significant accounting policies:

*Use of estimates*

The preparation of financial statements in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

*Revenue recognition*

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

Musical and dramatic productions are recognized as revenue when the shows are held. Income from Daylesford bar is recognized as beverage products are sold. Member fees are recognized as revenue proportionately over the fiscal year to which they relate and rental income is recognized ratably over the term of the lease.

*Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.



**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Prepaid expenses*

In addition to insurance and land taxes, prepaid expenses include certain costs of future dramatic productions deferred until such time as these productions are shown.

*Capital assets*

Capital assets are recorded at cost and amortized over their estimated useful lives at the following annual rates. Land is not amortized.

Theatre building	2.5% declining balance
Daylesford renovations	10% declining balance
Lighting and sound equipment	10% declining balance
Pianos	10% declining balance
Furniture	10% straight-line
Electronic equipment and computers	25% straight-line
Air conditioners	25% straight-line
Water system and ice machine	25% declining balance
Drops, banner and binder	25% straight-line

*Donated services*

The Society records the value of donated services at fair value when the fair value can be reasonably estimated, and the services are normally purchased and would be paid for if not donated.

*Financial instruments*

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities and debentures.

3. DEFERRED DONATIONS

Deferred donations include the unamortized portions of externally restricted contributions received towards the purchase of specific assets. The changes for the year in the deferred donations balance reported are as follows:

	2018	2017
Balance, beginning of year	\$ 10,960	\$ 13,024
Amounts recognized as revenue in the year	(2,064)	(2,064)
Amounts received during the year	-	-
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Balance, end of year	\$ 8,896	\$ 10,960
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**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

4. ACCOUNTS RECEIVABLE AND OTHER INCOME

During the year ended May 31, 2017, the Society sustained hurricane damage to certain capital assets. As at May 31, 2017, \$14,885 of costs, inclusive of an impairment loss of \$9,802, were incurred and reported in operational expenses. Total insurance policy deductible related to the damages incurred by the Society was \$25,000. The claim for the damages had been finalized and insurance proceeds of \$54,677 less the deductible of \$25,000 were recognized as a receivable and other income as at May 31, 2017, and the proceeds were received by the Society during fiscal 2018. No such insurance claims were recognized in the current year. Accounts receivable represents proceeds from musical and dramatic productions that were earned but not yet received from online sales as of May 31, 2018.

5. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2018	2017
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	133,110	29,266	54,051
- renovations	1,533,764	1,078,292	455,472	479,062
Lighting and sound equipment	177,722	130,111	47,611	51,231
Pianos	8,980	6,678	2,302	2,558
Furniture	47,382	47,382	-	2,980
Electronic equipment and computers	199,506	195,444	4,062	6,188
Air conditioners	133,212	129,543	3,669	6,153
Water system and ice machine	30,403	9,138	21,265	16,782
Drops, banner and binder	9,982	9,982	-	-
	<u>\$ 2,458,570</u>	<u>\$ 1,739,680</u>	<u>\$ 718,890</u>	<u>\$ 774,248</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$nil (2017: \$nil) in amounts payable in respect of government remittances as at May 31, 2018.

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

7. DEBENTURES

On March 1, 2012, the Society issued \$400,000 of 5.5% fixed rate 10 year notes to its members who are Bermuda residents, due to mature on March 1, 2022. Interest was paid annually. The Society would automatically redeem the notes at face value of \$5,000 each on maturity date. Following the third anniversary of the issue date, the Society was permitted, on 30 days' notice, to redeem the notes at their face value, together with any accrued interest thereon. For voluntary redemptions made by debenture holders, the Society would not in any event redeem more than 10% of the outstanding notes in any calendar year. As at March 31, 2018, the Society had redeemed 100% (2017: 100%) of the outstanding debentures.

8. DONATED SERVICES

Audit fees for the year ended May 31, 2018 are recorded at their fair value of \$19,770 (2017: \$19,380). The actual amount charged for the audit is \$4,750 (2017: \$3,876), with the difference of \$15,020 (2017: \$15,504) being recorded as donations and fundraising revenue.

9. FINANCIAL INSTRUMENTS RISK

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure as at May 31, 2018. Reference should be made to the statement of financial position and related notes for the quantitative values of the financial statement items referred to herein.

*Credit risk*

The Society is exposed to credit risk with respect to accounts receivables.

*Liquidity risk*

The Society is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities, and its ability to provide the activities related to its deferred revenue.

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

**SCHEDULE 1**

	2018	2017
Daylesford Bar:		
Liquor and food sales	\$ 148,872	\$ 141,678
Cost of sales	(97,944)	(94,070)
	\$ 50,928	\$ 47,608

**SCHEDULE 2**

	Revenues	Expenses	Net
Musical and Dramatic Productions 2018:			
Panto	\$ 114,933	\$ (57,026)	\$ 57,907
Famous For 15 Minutes	4,549	(4,549)	-
World Goes Round	17,067	(14,752)	2,315
Prime Minister	26,787	(11,682)	15,105
24 Hours to Curtain	980	(205)	775
Every Brilliant Thing	-	(72)	(72)
Daylesford Singers	6,450	(5,158)	1,292
	\$ 170,766	\$ (93,444)	\$ 77,322

	Revenues	Expenses	Net
Musical and Dramatic Productions 2017:			
Panto	\$ 138,876	\$ (68,277)	\$ 70,599
Famous For 15 Minutes	31,900	(31,900)	-
Backwords	10,100	(4,778)	5,322
Shakespeare	12,720	(18,698)	(5,978)
Trials and Tribulations	16,230	(8,907)	7,323
Twelve Angry Men	22,530	(6,464)	16,066
	\$ 232,356	\$ (139,024)	\$ 93,332

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**

May 31, 2018

*(expressed in Bermuda dollars)*

**SCHEDULE 3**

	2018	2017
Repairs and maintenance:		
Cleaning	\$ 15,394	\$ 14,774
Ceiling repair	6,075	-
Computer support	6,020	4,299
Lighting/electrical	5,173	7,234
Air conditioning maintenance	4,965	3,490
Landscaping and pest control	2,740	2,880
Other repairs and maintenance	1,786	10,831
Plumbing	1,749	238
Painting	1,349	714
Storm damage	-	14,885
Improvements	-	575
	<u>\$ 45,251</u>	<u>\$ 59,920</u>