

**The Bermuda Musical and
Dramatic Society**

**Financial Statements and
Independent Auditors' Report**

May 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the members of
The Bermuda Musical and Dramatic Society

Qualified Opinion

We have audited the financial statements of The Bermuda Musical and Dramatic Society (the "Society"), which comprise the statement of financial position as at May 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at May 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit Societys in Bermuda and Canada.

Basis for Qualified Opinion

In common with many not-for-profit Societys, the Society derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of revenues over expenses, and cash flows from operations for the years ended May 31, 2022 and 2021, current assets as at May 31, 2022 and 2021, and net assets as at April 1 and May 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended May 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with generally accepted auditing standards in Bermuda and Canada. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards for not-for-profit organizations 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with generally accepted auditing standards in Bermuda and Canada, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Ltd.

October 26, 2022

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF FINANCIAL POSITION
as at May 31, 2022
(expressed in Bermuda dollars)

	2022	2021
CURRENT ASSETS		
Cash	\$ 247,488	\$ 251,630
Accounts receivable (net of allowance for doubtful accounts of \$nil (2021: \$nil) (Note 4)	-	5,355
Inventories	8,733	9,031
Prepaid expenses	16,299	16,130
	272,520	282,146
CAPITAL ASSETS (Note 5)	571,462	609,936
	\$ 843,982	\$ 892,082
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 9,888	\$ 6,928
Deferred donations (Note 3)	3,550	4,820
	13,438	11,748
NET ASSETS		
Net assets invested in capital assets	71,462	109,936
Unrestricted net assets	759,082	770,398
	830,544	880,334
TOTAL LIABILITIES AND NET ASSETS	\$ 843,982	\$ 892,082

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, 2022
(expressed in Bermuda dollars)

	2022	2021
Revenues		
Rental of premises, car park	\$ 50,664	\$ 53,339
Members' and patrons' subscriptions	38,280	44,690
Musical and dramatic productions (net) - Schedule 2	18,322	421
Donations and fundraising (Note 3 and 7)	18,042	18,413
Daylesford bar - Schedule 1	7,239	5,192
Social events	1,313	-
Interest income	10	10
	133,870	122,065
Expenses		
Daylesford		
Amortization of renovations	32,827	36,475
Insurance	27,899	27,899
Land tax	23,876	23,201
Repairs and maintenance - Schedule 3	23,659	9,779
Utilities	23,622	29,869
Security services	2,458	7,230
Amortization of theatre building	798	818
	135,139	135,271
General		
Professional fees (Note 7)	23,499	24,067
Amortization of furniture and equipment	15,781	17,779
Internet access	5,242	4,193
Interest and bank charges	1,539	1,193
Telephone	1,224	1,228
Paper supplies stationery and postage	749	366
Other	387	878
Theatre - sundry hardware and tools	100	100
Social events	-	514
Loss on sale of capital assets (Note 5)	-	7,320
	48,521	57,638
DEFICIT OF REVENUES OVER EXPENSES	\$ (49,790)	\$ (70,844)

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, 2022
(expressed in Bermuda dollars)

	Invested in Capital Assets	Unrestricted	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 109,936	\$ 770,398	\$ 880,334	\$ 951,178
Deficit of revenues over expenses	(49,406)	(384)	(49,790)	(70,844)
Investment in capital assets, net	10,932	(10,932)	-	-
BALANCE, END OF YEAR	<u>\$ 71,462</u>	<u>\$ 759,082</u>	<u>\$ 830,544</u>	<u>\$ 880,334</u>

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF CASH FLOWS
for the year ended May 31, 2022
(expressed in Bermuda dollars)

	2022	2021
OPERATING ACTIVITIES:		
Deficit of revenues over expenses	\$ (49,790)	\$ (70,844)
Add items not affecting cash:		
Amortization	49,406	55,072
Loss on sale of capital assets	-	7,320
Changes in assets and liabilities:		
Accounts receivable	5,355	(4,205)
Inventories	298	1,005
Prepaid expenses	(169)	169
Accounts payable and accrued liabilities	2,960	(1,624)
Deferred donations	(1,270)	(1,270)
	(6,790)	(14,377)
INVESTING ACTIVITIES:		
Purchase of capital assets, being net cash used in investing activities	(10,932)	(4,196)
Proceeds from sale of capital assets	-	1,000
	(4,142)	(17,573)
NET DECREASE IN CASH	(4,142)	(17,573)
CASH, BEGINNING OF YEAR	251,630	269,203
CASH, END OF YEAR	\$ 247,488	\$ 251,630

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2022

(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, 2022

(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 and fittings	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 and accounts payable and accrued liabilities.

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:

	2022	2021
Balance, beginning of year	\$ 4,820	\$ 6,090
Amounts recognized as revenue in the year	(1,270)	(1,270)
Balance, end of year	<u>\$ 3,550</u>	<u>\$ 4,820</u>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2022

(expressed in Bermuda dollars)

4. ACCOUNTS RECEIVABLE

Accounts receivable represents monies owed from a third party for the collection of membership fees on the Society's behalf as of May 31, 2021. The amount was received during the year.

5. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2022	2021
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	(131,261)	31,115	31,912
- renovations	1,533,764	(1,238,318)	295,446	328,274
Lighting and sound equipment	232,739	(159,981)	72,758	72,842
Pianos	9,280	(7,500)	1,780	1,678
Furniture and fittings	51,539	(48,255)	3,284	1,067
Electronic equipment and computers	208,192	(208,130)	62	1,234
Air conditioners	133,212	(133,212)	-	-
Water system and ice machine	35,054	(26,259)	8,795	11,727
Drops, banner and binder	21,900	(18,921)	2,979	5,959
	<u>\$ 2,543,299</u>	<u>\$ (1,971,837)</u>	<u>\$ 571,462</u>	<u>\$ 609,936</u>

During 2021, the Society sold lighting and sound equipment with a net book value of \$8,320 for proceeds of \$1,000, resulting in a loss on sale of \$7,320. There were no sales of capital assets during the year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$nil (2021: \$nil) in amounts payable in respect of government remittances as at May 31, 2022.

7. DONATED SERVICES

Audit fees for the year ended May 31, 2022 are recorded at their fair value of \$20,965 (2021: \$20,553). The actual amount charged for the audit is \$4,193 (2021: \$4,110), with the difference of \$16,772 (2021: \$16,443) being recorded as donations and fundraising revenue.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2022

(expressed in Bermuda dollars)

8. 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, 2022. 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.

Market risk

The spread of coronavirus ("COVID-19") has caused significant business and economic disruption globally. The Society's operations have been impacted through an extended closure of the premises, resulting in the cancellation and postponement of musical and dramatic productions and a decline in bar revenue. Disruption of the Society's operations for an extended period of time could have a significant impact on the revenue, profits, and cashflows of the Society. The Society's management have implemented mitigating measures including deferring capital projects and reducing all possible variable costs. Given the uncertainty regarding the duration, extent, and the ultimate impact of COVID-19, the Society cannot reasonably estimate the impact on its prospective financial performance at this time.

Changes in risk

There have been no significant changes in the Society's risk exposure from the prior fiscal year.

9. SUBSEQUENT EVENTS

There have been no significant subsequent events identified up to the date of approval of these financial statements.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2022

(expressed in Bermuda dollars)

SCHEDULE 1

	2022	2021
Daylesford Bar:		
Liquor and food sales	\$ 52,992	\$ 25,344
Cost of sales	(45,753)	(20,152)
	\$ 7,239	\$ 5,192

SCHEDULE 2

	Revenues	Expenses	Net
Musical and Dramatic Productions 2022:			
Shorts: An Evening of Short Comedies	\$ 14,405	\$ (1,342)	\$ 13,063
Moments Musicaux	1,886	(160)	1,726
The Not So Newlywed Game	1,400	(47)	1,353
Other	2,250	(70)	2,180
	\$ 19,941	\$ (1,619)	\$ 18,322

	Revenues	Expenses	Net
Musical and Dramatic Productions 2021:			
Widow of Warwick	\$ 2,460	\$ (1,807)	\$ 653
Other	-	(232)	(232)
	\$ 2,460	\$ (2,039)	\$ 421

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2022

(expressed in Bermuda dollars)

SCHEDULE 3

	2022	2021
Repairs and maintenance:		
Cleaning	\$ 6,263	\$ 4,904
Air conditioning maintenance	4,772	8,142
Plumbing	3,806	1,418
Lighting/electrical	2,699	1,495
Computer support	2,250	1,250
Other repairs and maintenance	2,084	1,135
Landscaping and pest control	1,785	2,275
Painting	-	260
Insurance reimbursement for storm damage	-	(11,100)
	<u>\$ 23,659</u>	<u>\$ 9,779</u>