

**The Bermuda Musical and
Dramatic Society**

**Financial Statements and
Independent Auditors' Report**

May 31, 2015

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, 2015, 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 principles 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 audit 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 non-profit organizations, the Society derives revenue from donations and fund raising projects, 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 revenues, excess of revenues over expenditures, assets and net assets.

Opinion

In our opinion, except for the 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, 2015, and the results of its financial performance 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.

Deloitte Ltd.

October 9, 2015

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF FINANCIAL POSITION

as at May 31, 2015

(expressed in Bermuda dollars)

	2015	2014
CURRENT ASSETS		
Cash	\$ 187,167	\$ 399,517
Accounts receivable	4,514	650
Inventories	11,773	12,230
Prepaid expenses	41,078	12,102
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	244,532	424,499
CAPITAL ASSETS (Note 3)	829,889	847,447
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	\$ 1,074,421	\$ 1,271,946
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CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 34,752	\$ 46,988
Deferred donations (Note 4)	12,788	3,442
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	47,540	50,430
LONG-TERM LIABILITIES		
Debentures (Note 5)	200,000	400,000
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	247,540	450,430
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NET ASSETS		
Net assets invested in capital assets	329,889	347,447
Unrestricted net assets	496,992	474,069
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	826,881	821,516
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TOTAL LIABILITIES AND NET ASSETS	\$ 1,074,421	\$ 1,271,946
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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, 2015
(expressed in Bermuda dollars)

	2015	2014
Revenues		
Musical and dramatic productions - Schedule 2	\$ 55,261	\$ 106,906
Rental of premises, car park	74,000	74,000
Members' and patrons' subscriptions	62,095	65,764
Daylesford bar - Schedule 1	36,304	26,387
Donations and fund raising (Note 6)	14,304	13,694
Rental of premises, other	6,200	2,519
Youth Summer Program	-	188
Interest income	18	58
	248,182	289,516
Expenses		
Daylesford:		
Amortization of renovations	59,239	64,490
Utilities	39,247	50,049
Repairs and maintenance - Schedule 3	27,326	36,567
Insurance	26,981	26,676
Land tax	15,336	15,162
Amortization of theatre building	1,561	1,601
Security services	1,457	1,010
	171,147	195,555
General		
Interest and bank charges	24,866	26,872
Professional fees (Note 6)	21,881	20,925
Amortization of furniture and equipment	11,069	14,221
Paper supplies stationery and postage	2,827	4,090
Telephone	2,124	2,577
Other	2,834	2,078
Social events	4,075	1,227
Theatre - sundry hardware and tools	1,299	594
Internet access	695	530
	71,670	73,114
EXCESS OF REVENUES OVER EXPENSES	\$ 5,365	\$ 20,847

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, 2015
(expressed in Bermuda dollars)

	Invested in Capital Assets	Unrestricted	2015	2014
BALANCE, BEGINNING OF YEAR	\$ 347,447	\$ 474,069	\$ 821,516	\$ 800,669
Excess of revenues over expenditures	(71,868)	77,233	5,365	20,847
Investment in capital assets	54,310	(54,310)	-	-
BALANCE, END OF YEAR	<u>\$ 329,889</u>	<u>\$ 496,992</u>	<u>\$ 826,881</u>	<u>\$ 821,516</u>

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF CASH FLOWS
for the year ended May 31, 2015
(expressed in Bermuda dollars)

	2015	2014
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 5,365	\$ 20,847
Add items not affecting cash:		
Amortization	71,868	80,312
Changes in assets and liabilities:		
Accounts receivable	(3,864)	942
Inventories	457	473
Prepaid expenses	(28,976)	(1,855)
Accounts payable and accrued liabilities	(12,236)	(2,457)
Deferred donations	9,346	(794)
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Net cash provided by operating activities	41,960	97,468
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INVESTING ACTIVITIES:		
Purchase of capital assets, being net cash used in investing activities	(54,310)	(8,459)
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FINANCING ACTIVITIES:		
Repayment of debentures, being net cash used in financing activities	(200,000)	-
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NET INCREASE (DECREASE) IN CASH	(212,350)	89,009
CASH, BEGINNING OF YEAR	399,517	310,508
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CASH, END OF YEAR	\$ 187,167	\$ 399,517
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See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2015

(expressed in Bermuda dollars)

1. DESCRIPTION OF BUSINESS

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. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("Part III"). The preparation of financial statements in conformity with Part III requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Members' and patrons' subscriptions

Subscription revenues are recognized in the membership year to which they relate.

Inventories

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

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.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2015

(expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

3. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2015	2014
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	(101,511)	60,865	62,426
- renovations	1,506,336	(955,680)	550,656	586,553
Lighting and sound equipment	162,921	(113,693)	49,228	26,480
Pianos	8,980	(5,822)	3,158	3,509
Furniture	47,382	(45,864)	1,518	2,259
Electronic equipment and computers	191,398	(187,208)	4,190	2,606
Air conditioners	123,274	(123,274)	-	-
Water system and ice machine	16,385	(13,850)	2,535	3,380
Drops, banner and binder	9,982	(7,487)	2,495	4,991
	\$ 2,384,277	\$ (1,554,388)	\$ 829,889	\$ 847,447

4. DEFERRED DONATIONS

The Society received a donation for purchase of specific assets. At May 31, 2015, deferred donations totaled \$12,788 (2014: \$3,442).

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2015

(expressed in Bermuda dollars)

5. 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 is paid annually. The Society will automatically redeem the notes at face value of \$5,000 each on maturity date. Following the third anniversary of the issue date, the Society may, on 30 days' notice, redeem the notes at their face value, together with any accrued interest thereon. For voluntary redemptions made by debenture holders, the Society may not in any event redeem more than 10% of the outstanding notes in any calendar year. As at March 31, 2015, the Society has redeemed 50% of the outstanding debentures.

6. DONATED SERVICES

Audit fees for the year ended May 31, 2015 are recorded at their fair value at \$16,900 (2014: \$16,600). The actual amount charged for the audit is \$3,826 (2014: \$3,700), with the difference of \$13,200 (2014: \$12,900) being recorded as donations and fund raising revenue.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2015

(expressed in Bermuda dollars)

SCHEDULE 1

	2015	2014
Daylesford Bar:		
Liquor and food sales	\$ 133,307	\$ 125,804
Cost of sales	(97,003)	(99,417)
	<u>36,304</u>	<u>26,387</u>
	<u>\$ 36,304</u>	<u>\$ 26,387</u>

SCHEDULE 2

	Revenues	Expenses	Net
Musical and Dramatic Productions 2015:			
Panto	\$ 93,074	\$ 57,312	\$ 35,762
Famous For 15 Minutes	29,819	29,819	-
Manuscript	15,625	4,086	11,539
7 Stories	10,220	2,260	7,960
	<u>148,738</u>	<u>93,477</u>	<u>55,261</u>
	<u>\$ 148,738</u>	<u>\$ 93,477</u>	<u>\$ 55,261</u>
	Revenues	Expenses	Net
Musical and Dramatic Productions 2014:			
Panto	\$ 100,585	\$ 42,151	\$ 58,434
Allo Allo	38,940	14,055	24,885
Famous For 15 Minutes	30,782	30,782	-
Skin Flick	22,380	6,778	15,602
All's Well That Ends Well	10,900	4,978	5,922
Improvised Comedy	4,520	4,520	-
24 Hours to Curtain	2,360	120	2,240
Others	-	177	(177)
	<u>210,467</u>	<u>103,561</u>	<u>106,906</u>
	<u>\$ 210,467</u>	<u>\$ 103,561</u>	<u>\$ 106,906</u>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2015

(expressed in Bermuda dollars)

SCHEDULE 3

	2015	2014
Repairs and maintenance:		
Cleaning	\$ 14,000	\$ 13,680
Other repairs and maintenance	8,120	10,178
Ceiling repair	-	3,139
Lighting/electrical	94	3,573
Plumbing	2,095	855
Air conditioning maintenance	3,017	5,142
	<u>\$ 27,326</u>	<u>\$ 36,567</u>