

**The Bermuda Musical and  
Dramatic Society**

**Financial Statements and  
Independent Auditors' Report**

**May 31, 2016 and 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, 2016 and 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 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 audits. We conducted our audits 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 revenues 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 Company and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the years ended May 31, 2016 and 2015, and current assets as at May 31, 2016 and 2015 and fund balances as at May 31, 2016 and 2015.

### Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2016 and 2015 and the results of its financial performance and changes in fund balances for the years then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

*Deloitte Ltd.*

October 12, 2016

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**

as at May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 163,599	\$ 187,167
Accounts receivable	550	4,514
Inventories	14,646	11,773
Prepaid expenses	30,199	41,078
	<hr/>	<hr/>
	208,994	244,532
<b>CAPITAL ASSETS (Note 3)</b>	802,898	829,889
	<hr/>	<hr/>
	\$ 1,011,892	\$ 1,074,421
	<hr/> <hr/>	<hr/> <hr/>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 17,051	\$ 34,752
Deferred donations (Note 4)	13,024	12,788
	<hr/>	<hr/>
	30,075	47,540
<b>LONG-TERM LIABILITIES</b>		
Debentures (Note 5)	100,000	200,000
	<hr/>	<hr/>
	130,075	247,540
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Net assets invested in capital assets	302,898	329,889
Unrestricted net assets	578,919	496,992
	<hr/>	<hr/>
	881,817	826,881
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,011,892	\$ 1,074,421
	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes to the financial statements*

APPROVED BY THE EXECUTIVE COMMITTEE

.....President

.....Treasurer

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENTS OF OPERATIONS**  
for the years ended May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

	2016	2015
<b>Revenues</b>		
Musical and dramatic productions - Schedule 2	\$ 132,552	\$ 55,261
Rental of premises, car park	67,481	74,000
Members' and patrons' subscriptions	57,705	62,095
Daylesford bar - Schedule 1	59,702	36,304
Donations and fund raising (Note 6)	17,565	14,304
Rental of premises, other	2,100	6,200
Interest income	15	18
	337,120	248,182
<b>Expenses</b>		
<b>Daylesford:</b>		
Amortization of renovations	57,225	59,239
Utilities	39,701	39,247
Repairs and maintenance - Schedule 3	69,342	27,326
Insurance	26,676	26,981
Land tax	17,532	15,336
Amortization of theatre building	1,522	1,561
Security services	1,530	1,457
	213,528	171,147
<b>General</b>		
Interest and bank charges	11,566	24,866
Professional fees (Note 6)	26,458	21,881
Amortization of furniture and equipment	13,200	11,069
Paper supplies stationery and postage	4,089	2,827
Telephone	2,268	2,124
Other	4,879	2,834
Social events	3,691	4,075
Theatre - sundry hardware and tools	1,824	1,299
Internet access	681	695
	68,656	71,670
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 54,936	\$ 5,365

*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
for the years ended May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

	Invested in Capital Assets	Unrestricted	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 329,889	\$ 496,992	\$ 826,881	\$ 821,516
Excess of revenues over expenditures	(71,947)	126,883	54,936	5,365
Investment in capital assets	44,956	(44,956)	-	-
BALANCE, END OF YEAR	<u>\$ 302,898</u>	<u>\$ 578,919</u>	<u>\$ 881,817</u>	<u>\$ 826,881</u>

*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
for the years ended May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 54,936	\$ 5,365
Add items not affecting cash:		
Amortization	71,947	71,868
Changes in assets and liabilities:		
Accounts receivable	3,964	(3,864)
Inventories	(2,873)	457
Prepaid expenses	10,879	(28,976)
Accounts payable and accrued liabilities	(17,701)	(12,236)
Deferred donations	236	9,346
	121,388	41,960
<b>INVESTING ACTIVITIES:</b>		
Purchase of capital assets, being net cash used in investing activities	(44,956)	(54,310)
<b>FINANCING ACTIVITIES:</b>		
Repayment of debentures, being net cash used in financing activities	(100,000)	(200,000)
<b>NET DECREASE IN CASH</b>	<b>(23,568)</b>	<b>(212,350)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>187,167</b>	<b>399,517</b>
<b>CASH, END OF YEAR</b>	<b>\$ 163,599</b>	<b>\$ 187,167</b>

*See accompanying notes to the financial statements*

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

May 31, 2016 and 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 accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("Part III"). The preparation of financial statements in accordance 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.

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

May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

2. 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

3. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2016	2015
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	(103,033)	59,343	60,865
- renovations	1,532,006	(1,012,905)	519,101	550,656
Lighting and sound equipment	176,136	(119,214)	56,922	49,228
Pianos	8,980	(6,138)	2,842	3,158
Furniture	47,382	(46,605)	777	1,518
Electronic equipment and computers	192,269	(189,400)	2,869	4,190
Air conditioners	128,474	(124,574)	3,900	-
Water system and ice machine	16,385	(14,484)	1,901	2,535
Drops, banner and binder	9,982	(9,982)	-	2,495
	\$ 2,429,233	\$ (1,626,335)	\$ 802,898	\$ 829,889
	\$ 2,429,233	\$ (1,626,335)	\$ 802,898	\$ 829,889

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

May 31, 2016 and 2015

*(expressed in Bermuda dollars)*

4. DEFERRED DONATIONS

The Society received a donation for purchase of specific assets. At May 31, 2016, deferred donations totaled \$13,024 (2015: \$12,788).

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, 2016, the Society has redeemed 75% of the outstanding debentures.

6. DONATED SERVICES

Audit fees for the year ended May 31, 2016 are recorded at their fair value of \$19,000 (2015: \$16,900). The actual amount charged for the audit is \$3,800 (2015: \$3,826), with the difference of \$15,200 (2015: \$13,200) being recorded as donations and fund raising revenue.

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

May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

**SCHEDULE 1**

	2016	2015
Daylesford Bar:		
Liquor and food sales	\$ 162,304	\$ 133,307
Cost of sales	(102,602)	(97,003)
	<u>\$ 59,702</u>	<u>\$ 36,304</u>

**SCHEDULE 2**

	Revenues	Expenses	Net
Musical and Dramatic Productions 2016:			
Panto	\$ 138,444	\$ (63,240)	\$ 75,204
Sister Act	62,555	(43,692)	18,863
Famous For 15 Minutes	32,015	(32,015)	-
StickFly	25,034	(10,864)	14,170
LittleWars	23,670	(7,636)	16,034
Communicating Doors	15,326	(7,045)	8,281
LockJaw	6,128	(6,128)	-
	<u>\$ 303,172</u>	<u>\$ (170,620)</u>	<u>\$ 132,552</u>

	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>

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

May 31, 2016 and 2015  
*(expressed in Bermuda dollars)*

**SCHEDULE 3**

	2016	2015
Repairs and maintenance:		
Cleaning	\$ 13,590	\$ 14,000
Other repairs and maintenance	26,728	8,120
Ceiling repair	211	-
Lighting/electrical	19,136	94
Plumbing	6,887	2,095
Air conditioning maintenance	2,790	3,017
	<u>\$ 69,342</u>	<u>\$ 27,326</u>