

**The Bermuda Musical and
Dramatic Society**

**Financial Statements and
Independent Auditors' Report**

May 31, 2017

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, 2017, 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, 2017 and 2016, current assets as at May 31, 2017 and 2016, and net assets as at June 1 and May 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended May 31, 2016 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, 2017, 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, 2017 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 13, 2017

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

as at May 31, 2017

(expressed in Bermuda dollars)

	2017	2016
CURRENT ASSETS		
Cash	\$ 126,499	\$ 163,599
Accounts receivable (net of allowance for doubtful accounts of \$nil (2016: \$nil) (Note 4)	29,677	550
Inventories	11,820	14,646
Prepaid expenses	15,759	30,199
	<hr/>	<hr/>
	183,755	208,994
CAPITAL ASSETS (Note 5)	774,248	802,898
	<hr/>	<hr/>
	\$ 958,003	\$ 1,011,892
	<hr/> <hr/>	<hr/> <hr/>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 14,537	\$ 17,051
Deferred donations (Note 3)	10,960	13,024
	<hr/>	<hr/>
	25,497	30,075
LONG-TERM LIABILITIES		
Debentures (Note 7)	-	100,000
	<hr/>	<hr/>
	25,497	130,075
	<hr/>	<hr/>
NET ASSETS		
Net assets invested in capital assets	274,248	302,898
Unrestricted net assets	658,258	578,919
	<hr/>	<hr/>
	932,506	881,817
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 958,003	\$ 1,011,892
	<hr/> <hr/>	<hr/> <hr/>

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, 2017
(expressed in Bermuda dollars)

	2017	2016
Revenues		
Musical and dramatic productions - Schedule 2	\$ 93,332	\$ 132,552
Rental of premises, car park	50,980	67,481
Members' and patrons' subscriptions	57,225	57,705
Daylesford bar - Schedule 1	47,608	59,702
Donations and fundraising (Note 3 and 8)	22,073	17,565
Rental of premises, other	2,322	2,100
Interest income	5	15
	273,545	337,120
Expenses		
Daylesford:		
Repairs and maintenance - Schedule 3 (Note 4)	59,920	69,342
Amortization of renovations	52,507	57,225
Utilities	34,130	39,701
Insurance	26,956	26,676
Land tax	19,992	17,532
Amortization of theatre building	1,484	1,522
Security services	1,330	1,530
	196,319	213,528
General		
Professional fees (Note 8)	25,016	26,458
Amortization of furniture and equipment	14,437	13,200
Interest and bank charges	6,461	11,566
Paper supplies stationery and postage	4,078	4,089
Telephone	2,275	2,268
Other	1,349	4,879
Internet access	1,138	681
Theatre - sundry hardware and tools	831	1,824
Social events	629	3,691
	56,214	68,656
Other income (Note 4)	29,677	-
EXCESS OF REVENUES OVER EXPENSES	\$ 50,689	\$ 54,936

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, 2017

(expressed in Bermuda dollars)

	Invested in Capital Assets	Unrestricted	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 302,898	\$ 578,919	\$ 881,817	\$ 826,881
Excess of revenues over expenditures	(78,230)	128,919	50,689	54,936
Investment in capital assets	49,580	(49,580)	-	-
BALANCE, END OF YEAR	<u>\$ 274,248</u>	<u>\$ 658,258</u>	<u>\$ 932,506</u>	<u>\$ 881,817</u>

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF CASH FLOWS
for the year ended May 31, 2017
(expressed in Bermuda dollars)

	2017	2016
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 50,689	\$ 54,936
Add items not affecting cash:		
Amortization	68,428	71,947
Impairment loss capital assets	9,802	-
Changes in assets and liabilities:		
Accounts receivable	(29,127)	3,964
Inventories	2,826	(2,873)
Prepaid expenses	14,440	10,879
Accounts payable and accrued liabilities	(2,514)	(17,701)
Deferred donations	(2,064)	236
	112,480	121,388
INVESTING ACTIVITIES:		
Purchase of capital assets, being net cash used in investing activities	(49,580)	(44,956)
FINANCING ACTIVITIES:		
Repayment of debentures, being net cash used in financing activities	(100,000)	(100,000)
NET DECREASE IN CASH	(37,100)	(23,568)
CASH, BEGINNING OF YEAR	163,599	187,167
CASH, END OF YEAR	\$ 126,499	\$ 163,599

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2017

(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, 2017

(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:

	2017	2016
Balance, beginning of year	\$ 13,024	\$ 12,788
Amounts recognized as revenue in the year	(2,064)	(2,064)
Amounts received during the year	-	2,300
	<hr/>	<hr/>
Balance, end of year	<u>\$ 10,960</u>	<u>\$ 13,024</u>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2017

(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, refer to Note 5. 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 is \$25,000. The claim for the damages has been finalized and insurance proceeds of \$54,677 less the deductible of \$25,000 are expected to be received by the Society in fiscal 2018 and have been recorded in other income.

5. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2017	2016
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	(108,325)	54,051	59,343
- renovations	1,534,347	(1,055,285)	479,062	519,101
Lighting and sound equipment	176,136	(124,905)	51,231	56,922
Pianos	8,980	(6,422)	2,558	2,842
Furniture	50,118	(47,138)	2,980	777
Electronic equipment and computers	198,606	(192,418)	6,188	2,869
Air conditioners	133,212	(127,059)	6,153	3,900
Water system and ice machine	21,041	(4,259)	16,782	1,901
Drops, banner and binder	9,982	(9,982)	-	-
	<u>\$ 2,450,041</u>	<u>\$ (1,675,793)</u>	<u>\$ 774,248</u>	<u>\$ 802,898</u>

As discussed in Note 4 above, the Society incurred hurricane damage during the fiscal year. As a result of the damage, \$28,772 of capital assets, along with related accumulated amortization of \$18,970 were written-off. The impairment loss of \$9,802 is reported within the repairs and maintenance line item on the statement of operations. Total capital asset additions during the year were \$49,580, of these \$35,770 related to capital assets replaced due to the hurricane damage.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$nil (2016: \$nil) in amounts payable in respect of government remittances as at May 31, 2017.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2017

(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 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, 2017, the Society has redeemed 100% (2016: 75%) of the outstanding debentures.

8. DONATED SERVICES

Audit fees for the year ended May 31, 2017 are recorded at their fair value of \$19,380 (2016: \$19,000). The actual amount charged for the audit is \$3,876 (2016: \$3,800), with the difference of \$15,504 (2016: \$15,200) 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, 2017. 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.

Changes in risk

As at May 31, 2017, the Society was exposed to interest rate risk on its fixed interest rate financial instruments. The Society held fixed-rate financial instruments being its debentures, as set out in Note 7 to the financial statements which would subject the Society to a fair value risk. As at March 31, 2017, the Society has fully repaid its debentures, thus no longer being exposed to interest rate risk.

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

May 31, 2017

(expressed in Bermuda dollars)

SCHEDULE 1

	2017	2016
Daylesford Bar:		
Liquor and food sales	\$ 141,678	\$ 162,304
Cost of sales	(94,070)	(102,602)
	<u>\$ 47,608</u>	<u>\$ 59,702</u>

SCHEDULE 2

	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
	<u>\$ 232,356</u>	<u>\$ (139,024)</u>	<u>\$ 93,332</u>

	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>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2017

(expressed in Bermuda dollars)

SCHEDULE 3

	2017	2016
Repairs and maintenance:		
Storm damage	\$ 14,885	\$ -
Cleaning	14,774	13,590
Other repairs and maintenance	10,831	3,552
Lighting/electrical	7,234	19,136
Computer support	4,299	4,095
Air conditioning maintenance	3,490	2,790
Landscaping and pest control	2,880	2,904
Painting	714	16,177
Improvements	575	-
Plumbing	238	6,887
Ceiling repair	-	211
	<u>\$ 59,920</u>	<u>\$ 69,342</u>