

**The Bermuda Musical and  
Dramatic Society**

**Financial Statements and  
Independent Auditors' Report**

**May 31, 2019**

## INDEPENDENT AUDITORS' REPORT

To the Members of  
The Bermuda Musical and Dramatic Society

### Qualified Opinion

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, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, the statement of cash flows and a summary of significant accounting policies and other explanatory information (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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards with Canadian and Bermudian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, 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 contributions, the excess of revenues over expenses, and cash flows from operations for the years ended May 31, 2019 and 2018, current assets as at May 31, 2019 and 2018, and net assets as at April 1 and May 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended May 31, 2018 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian and Bermudian generally accepted auditing standards ("GAAS"). 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 Canada and 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 Canadian and Bermudian accounting standards for not-for-profit organizations, 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.

### **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 Canadian and Bermudian GAAS 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 Canadian and Bermudian GAAS, 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 Organization'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.*

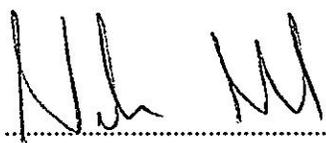
October 3, 2019

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
as at May 31, 2019  
*(expressed in Bermuda dollars)*

|   | 2019              | 2018                |
|---|-------------------|---------------------|
| <b>CURRENT ASSETS</b>   |                   |                     |
| Cash  | \$ 212,543        | \$ 215,193          |
| Accounts receivable (net of allowance for doubtful accounts of \$nil (2018: \$nil) (Note 4) | 2,240             | 48,530              |
| Inventories   | 13,263            | 13,253              |
| Prepaid expenses  | 24,722            | 8,477               |
|   | <u>252,768</u>    | <u>285,453</u>      |
| <b>CAPITAL ASSETS (Note 5)</b>  | 679,023           | 718,890             |
|   | <u>\$ 931,791</u> | <u>\$ 1,004,343</u> |
| <b>CURRENT LIABILITIES</b>  |                   |                     |
| Accounts payable and accrued liabilities (Note 6)   | \$ 31,416         | \$ 33,598           |
| Deferred donations (Note 3)   | 7,360             | 8,896               |
|   | <u>38,776</u>     | <u>42,494</u>       |
| <b>NET ASSETS</b>   |                   |                     |
| Net assets invested in capital assets   | 179,023           | 218,890             |
| Unrestricted net assets   | 713,992           | 742,959             |
|   | <u>893,015</u>    | <u>961,849</u>      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <u>\$ 931,791</u> | <u>\$ 1,004,343</u> |

*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, 2019  
*(expressed in Bermuda dollars)*

|   | 2019        | 2018      |
|---|-------------|-----------|
| Revenues  |             |           |
| Musical and dramatic productions (net) - Schedule 2 | \$ 24,660   | \$ 77,322 |
| Rental of premises, car park                        | 58,664      | 50,880    |
| Members' and patrons' subscriptions                 | 53,344      | 56,783    |
| Daylesford bar - Schedule 1                         | 43,036      | 50,928    |
| Donations and fundraising (Note 3 and 7)            | 17,436      | 21,229    |
| Rental of premises, other                           | 2,388       | 1,930     |
| Interest income                                     | 17          | 8         |
|   | <hr/>       | <hr/>     |
|   | 199,545     | 259,080   |
|   | <hr/>       | <hr/>     |
| Expenses  |             |           |
| Daylesford:   |             |           |
| Repairs and maintenance - Schedule 3                | 70,304      | 45,251    |
| Amortization of renovations                         | 45,030      | 44,071    |
| Utilities   | 36,018      | 28,472    |
| Insurance   | 27,630      | 27,630    |
| Land tax  | 27,108      | 20,269    |
| Amortization of theatre building                    | 861         | 4,306     |
| Security services                                   | -           | 400       |
|   | <hr/>       | <hr/>     |
|   | 206,951     | 170,399   |
|   | <hr/>       | <hr/>     |
| General   |             |           |
| Professional fees (Note 7)                          | 22,034      | 24,981    |
| Amortization of furniture and equipment             | 18,403      | 16,094    |
| Internet access                                     | 5,103       | 4,020     |
| Other   | 4,028       | 3,000     |
| Social events                                       | 3,642       | 3,640     |
| Paper supplies stationery and postage               | 3,630       | 2,780     |
| Interest and bank charges                           | 1,710       | 1,541     |
| Legal fees  | 1,340       | -         |
| Telephone   | 1,231       | 1,532     |
| Theatre - sundry hardware and tools                 | 309         | 1,750     |
|   | <hr/>       | <hr/>     |
|   | 61,430      | 59,338    |
|   | <hr/>       | <hr/>     |
| DEFICIT/EXCESS OF REVENUES OVER EXPENSES            | \$ (68,836) | \$ 29,343 |
|   | <hr/>       | <hr/>     |

*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, 2019  
*(expressed in Bermuda dollars)*

|  | Invested in<br>Capital Assets | Unrestricted      | 2019              | 2018              |
|--|-------------------------------|-------------------|-------------------|-------------------|
| BALANCE, BEGINNING OF YEAR               | \$ 218,890                    | \$ 742,959        | \$ 961,849        | \$ 932,506        |
| Deficit/Excess of revenues over expenses | (64,295)                      | (4,541)           | (68,836)          | 29,343            |
| Investment in capital assets             | 24,428                        | (24,426)          | 2                 | -                 |
| BALANCE, END OF YEAR                     | <u>\$ 179,023</u>             | <u>\$ 713,992</u> | <u>\$ 893,015</u> | <u>\$ 961,849</u> |

*See accompanying notes to the financial statements*

**THE BERMUDA MUSICAL AND DRAMATIC SOCIETY**  
**STATEMENT OF CASH FLOWS**  
for the year ended May 31, 2019  
*(expressed in Bermuda dollars)*

|   | 2019        | 2018       |
|---|-------------|------------|
| <b>OPERATING ACTIVITIES:</b>  |             |            |
| Deficit/Excess of revenues over expenses                                | \$ (68,836) | \$ 29,343  |
| Add items not affecting cash:   |             |            |
| Amortization  | 64,294      | 64,471     |
| Changes in assets and liabilities:                                      |             |            |
| Accounts receivable   | 46,290      | (18,853)   |
| Inventories   | (10)        | (1,433)    |
| Prepaid expenses  | (16,245)    | 7,282      |
| Accounts payable and accrued liabilities                                | (2,182)     | 19,061     |
| Deferred donations  | (1,536)     | (2,064)    |
|   | 21,775      | 97,807     |
| <b>INVESTING ACTIVITIES:</b>  |             |            |
| Purchase of capital assets, being net cash used in investing activities | (24,425)    | (9,113)    |
|   | (2,650)     | 88,694     |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                  |             |            |
| CASH, BEGINNING OF YEAR   | 215,193     | 126,499    |
| CASH, END OF YEAR   | \$ 212,543  | \$ 215,193 |

*See accompanying notes to the financial statements*

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

May 31, 2019

*(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, 2019

*(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:

|   | 2019            | 2018            |
|---|-----------------|-----------------|
| Balance, beginning of year                | \$ 8,896        | \$ 10,960       |
| Amounts recognized as revenue in the year | (1,536)         | (2,064)         |
| Balance, end of year                      | <u>\$ 7,360</u> | <u>\$ 8,896</u> |

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

May 31, 2019

*(expressed in Bermuda dollars)*

4. ACCOUNTS RECEIVABLE

Accounts receivable represents proceeds from music and dramatic productions that were earned and not yet received from online sales as of May 31, 2019.

5. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

|                                       | Cost                | Accumulated<br>amortization | Net book value    |                   |
|---------------------------------------|---------------------|-----------------------------|-------------------|-------------------|
|                                       |                     |                             | 2019              | 2018              |
| Daylesford                            |                     |                             |                   |                   |
| - land                                | \$ 59,315           | \$ -                        | \$ 59,315         | \$ 59,315         |
| - adjacent land                       | 95,928              | -                           | 95,928            | 95,928            |
| - theatre                             | 162,376             | 133,971                     | 28,405            | 29,266            |
| - renovations                         | 1,533,764           | 1,123,323                   | 410,441           | 455,472           |
| Lighting and sound equipment          | 192,187             | 135,193                     | 56,994            | 47,611            |
| Pianos                                | 8,980               | 6,908                       | 2,072             | 2,302             |
| Furniture                             | 48,907              | 47,534                      | 1,373             | -                 |
| Electronic equipment and<br>computers | 207,944             | 200,581                     | 7,363             | 4,062             |
| Air conditioners                      | 133,212             | 132,028                     | 1,184             | 3,669             |
| Water system and ice machine          | 30,403              | 14,455                      | 15,948            | 21,265            |
| Drops, banner and binder              | 9,982               | 9,982                       | -                 | -                 |
|                                       | <u>\$ 2,482,998</u> | <u>\$ 1,803,975</u>         | <u>\$ 679,023</u> | <u>\$ 718,890</u> |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$nil (2018: \$nil) in amounts payable in respect of government remittances as at May 31, 2019.

7. DONATED SERVICES

Audit fees for the year ended May 31, 2019 are recorded at their fair value of \$20,150 (2018: \$19,770). The actual amount charged for the audit is \$4,250 (2018: \$4,750), with the difference of \$15,900 (2018: \$15,020) being recorded as donations and fundraising revenue.

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

May 31, 2019

*(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, 2019. 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*

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

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

May 31, 2019

*(expressed in Bermuda dollars)*

**SCHEDULE 1**

|                       | 2019             | 2018             |
|-----------------------|------------------|------------------|
| Daylesford Bar:       |                  |                  |
| Liquor and food sales | \$ 136,535       | \$ 148,872       |
| Cost of sales         | (93,499)         | (97,944)         |
|                       | <u>\$ 43,036</u> | <u>\$ 50,928</u> |

**SCHEDULE 2**

|  | Revenues          | Expenses            | Net              |
|--|-------------------|---------------------|------------------|
| Musical and Dramatic Productions 2019: |                   |                     |                  |
| World Goes Round                       | 1,955             | (2,385)             | (430)            |
| Prime Minister                         | -                 | (3,546)             | (3,546)          |
| 24 Hours to Curtain                    | 1,600             | (541)               | 1,059            |
| Private Lives                          | -                 | (2,061)             | (2,061)          |
| Veils                                  | 90                | (2,807)             | (2,717)          |
| All is Calm                            | -                 | (1,435)             | (1,435)          |
| Absolutely Murder                      | 22,330            | (11,183)            | 11,147           |
| Not the Newlywed Game                  | 1,940             | (1,314)             | 626              |
| Teddy the Lost Dog                     | 89,856            | (75,912)            | 13,944           |
| Play-reading                           | 1,380             | -                   | 1,380            |
| Daylesford Singers                     | 8,580             | (1,887)             | 6,693            |
|  | <u>\$ 127,731</u> | <u>\$ (103,071)</u> | <u>\$ 24,660</u> |

|  | 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            |
|  | <u>\$ 170,766</u> | <u>\$ (93,444)</u> | <u>\$ 77,322</u> |

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

May 31, 2019

*(expressed in Bermuda dollars)*

**SCHEDULE 3**

|                               | 2019             | 2018             |
|-------------------------------|------------------|------------------|
| Repairs and maintenance:      |                  |                  |
| Cleaning                      | \$ 15,179        | \$ 15,394        |
| Ceiling repair                | -                | 6,075            |
| Computer support              | 3,000            | 6,020            |
| Lighting/electrical           | 3,409            | 5,173            |
| Air conditioning maintenance  | 10,620           | 4,965            |
| Landscaping and pest control  | 2,988            | 2,740            |
| Other repairs and maintenance | 17,820           | 1,786            |
| Plumbing                      | 4,780            | 1,749            |
| Painting                      | 12,508           | 1,349            |
|                               | <u>\$ 70,304</u> | <u>\$ 45,251</u> |