

**The Bermuda Musical and
Dramatic Society**

**Financial Statements and
Independent Auditors' Report**

May 31, 2020

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, 2020, 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, 2020, 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, 2020 and 2019, current assets as at May 31, 2020 and 2019, and net assets as at April 1 and May 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended May 31, 2019 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.

INDEPENDENT AUDITORS' 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 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 19, 2020

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF FINANCIAL POSITION

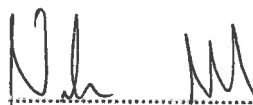
as at May 31, 2020

(expressed in Bermuda dollars)

	2020	2019
CURRENT ASSETS		
Cash	\$ 269,203	\$ 212,543
Accounts receivable (net of allowance for doubtful accounts of \$nil (2019: \$nil) (Note 4)	1,150	2,240
Inventories	10,036	13,263
Prepaid expenses	16,299	24,722
	296,688	252,768
CAPITAL ASSETS (Note 5)	669,132	679,023
	\$ 965,820	\$ 931,791
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 8,552	\$ 31,416
Deferred donations (Note 3)	6,090	7,360
	14,642	38,776
NET ASSETS		
Net assets invested in capital assets	169,132	179,023
Unrestricted net assets	782,046	713,992
	951,178	893,015
TOTAL LIABILITIES AND NET ASSETS	\$ 965,820	\$ 931,791

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, 2020
(expressed in Bermuda dollars)

	2020	2019
Revenues		
Musical and dramatic productions (net) - Schedule 2	\$ 118,367	\$ 24,660
Members' and patrons' subscriptions	53,283	53,344
Rental of premises, car park	50,086	58,664
Daylesford bar - Schedule 1	43,458	43,036
Donations and fundraising (Note 3 and 7)	19,098	17,436
Other	7,049	-
Rental of premises, other	1,610	2,388
Interest income	13	17
	292,964	199,545
Expenses		
Daylesford:		
Amortization of renovations	40,528	45,030
Repairs and maintenance - Schedule 3	39,993	70,304
Utilities	33,823	36,018
Insurance	27,899	27,630
Land tax	24,357	27,108
Amortization of theatre building	839	861
Security services	400	-
	167,839	206,951
General		
Professional fees (Note 7)	26,423	22,034
Amortization of furniture and equipment	22,940	18,403
Internet access	8,168	5,103
Theatre - sundry hardware and tools	2,063	309
Interest and bank charges	1,824	1,710
Social events	1,423	3,642
Paper supplies stationery and postage	1,388	3,630
Telephone	1,275	1,231
Legal fees	-	1,340
Other	1,458	4,028
	66,962	61,430
EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES	\$ 58,163	\$ (68,836)

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, 2020
(expressed in Bermuda dollars)

	Invested in Capital Assets	Unrestricted	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 179,023	\$ 713,992	\$ 893,015	\$ 961,849
Excess/deficit of revenues over expenses	(64,307)	122,470	58,163	(68,836)
Investment in capital assets	54,416	(54,416)	-	2
BALANCE, END OF YEAR	<u>\$ 169,132</u>	<u>\$ 782,046</u>	<u>\$ 951,178</u>	<u>\$ 893,015</u>

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
STATEMENT OF CASH FLOWS
for the year ended May 31, 2020
(expressed in Bermuda dollars)

	2020	2019
OPERATING ACTIVITIES:		
Excess/(deficit) of revenues over expenses	\$ 58,163	\$ (68,836)
Add items not affecting cash:		
Amortization	64,307	64,294
Changes in assets and liabilities:		
Accounts receivable	1,090	46,290
Inventories	3,227	(10)
Prepaid expenses	8,423	(16,245)
Accounts payable and accrued liabilities	(22,864)	(2,182)
Deferred donations	(1,270)	(1,536)
	111,076	21,775
INVESTING ACTIVITIES:		
Purchase of capital assets, being net cash used in investing activities	(54,416)	(24,425)
	56,660	(2,650)
NET INCREASE/(DECREASE) IN CASH		
CASH, BEGINNING OF YEAR	212,543	215,193
CASH, END OF YEAR	\$ 269,203	\$ 212,543

See accompanying notes to the financial statements

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2020

(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, 2020

(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:

	2020	2019
Balance, beginning of year	\$ 7,360	\$ 8,896
Amounts recognized as revenue in the year	(1,270)	(1,536)
Balance, end of year	<u>\$ 6,090</u>	<u>\$ 7,360</u>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2020

(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, 2020.

5. CAPITAL ASSETS

Capital assets and related accumulated amortization are as follows:

	Cost	Accumulated amortization	Net book value	
			2020	2019
Daylesford				
- land	\$ 59,315	\$ -	\$ 59,315	\$ 59,315
- adjacent land	95,928	-	95,928	95,928
- theatre	162,376	(134,810)	27,566	28,405
- renovations	1,533,764	(1,163,851)	369,913	410,441
Lighting and sound equipment	230,531	(144,728)	85,803	56,994
Pianos	8,980	(7,115)	1,865	2,072
Furniture	48,907	(47,687)	1,220	1,373
Electronic equipment and computers	208,192	(204,500)	3,692	7,363
Air conditioners	133,212	(133,212)	-	1,184
Water system and ice machine	34,050	(19,418)	14,632	15,948
Drops, banner and binder	22,160	(12,962)	9,198	-
	<u>\$ 2,537,415</u>	<u>\$ (1,868,283)</u>	<u>\$ 669,132</u>	<u>\$ 679,023</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$nil (2019: \$nil) in amounts payable in respect of government remittances as at May 31, 2020.

7. DONATED SERVICES

Audit fees for the year ended May 31, 2020 are recorded at their fair value of \$20,773 (2019: \$20,150). The actual amount charged for the audit is \$4,330 (2019: \$4,250), with the difference of \$16,443 (2019: \$15,900) being recorded as donations and fundraising revenue.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

May 31, 2020

(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, 2020. 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.

9. SUBSEQUENT EVENTS

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.

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2020

(expressed in Bermuda dollars)

SCHEDULE 1

	2020	2019
Daylesford Bar:		
Liquor and food sales	\$ 127,556	\$ 136,535
Cost of sales	(84,098)	(93,499)
	<u> </u>	<u> </u>
	<u>\$ 43,458</u>	<u>\$ 43,036</u>

SCHEDULE 2

	Revenues	Expenses	Net
Musical and Dramatic Productions 2020:			
Keeping Up Appearances	\$ 29,995	\$ (8,143)	\$ 21,852
Killing Carlisle	21,560	(7,285)	14,275
Wine, Women and Song	4,443	(808)	3,635
Private Lives	23,625	(11,663)	11,962
Veils	13,984	(2,844)	11,140
Snow White	146,558	(88,028)	58,534
Absolutely Murder	2,613	-	2,613
Other	-	(5,644)	(5,644)
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 235,495</u>	<u>\$ (117,128)</u>	<u>\$ 118,367</u>

	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> </u>	<u> </u>	<u> </u>
	<u>\$ 127,731</u>	<u>\$ (103,071)</u>	<u>\$ 24,660</u>

THE BERMUDA MUSICAL AND DRAMATIC SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS

May 31, 2020

(expressed in Bermuda dollars)

SCHEDULE 3

	2020	2019
Repairs and maintenance:		
Cleaning	\$ 12,392	\$ 15,179
Computer support	2,500	3,000
Lighting/electrical	2,746	3,409
Air conditioning maintenance	6,668	10,620
Landscaping and pest control	3,008	2,988
Other repairs and maintenance	2,910	17,820
Plumbing	1,145	4,780
Painting	8,624	12,508
	<u>\$ 39,993</u>	<u>\$ 70,304</u>