

Bermuda Zoological Society

**Financial Statements and
Independent Auditors' Report**

March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of Bermuda Zoological Society

We have audited the accompanying financial statements of the Bermuda Zoological Society, (the "Society"), which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in fund balances 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 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 fund balances.

As disclosed in Note 3, with the exception of land, the Society does not record capital assets but rather expenses them in the year of purchase, and the financial statements of the Society have been prepared on a cash basis. In this regard, the financial statements are not in accordance with accounting principles generally accepted in Bermuda and Canada. The Society believes that it is not practicable to quantify the financial effects of the aforementioned decisions.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2015 and its results of operations and changes in fund balances for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

Deloitte Ltd.

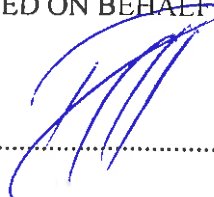
July 2, 2015

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2015
(Expressed in Bermuda dollars)

	2015			2014
	General Fund	Restricted Funds	Total	(Note 12) Total
ASSETS				
Cash and investments				
Cash float	\$ 7,800	\$ -	\$ 7,800	\$ 7,800
Current accounts	573,784	-	573,784	424,436
Time deposits	192,334	-	192,334	214,736
Investments (Note 4)	4,773,492	-	4,773,492	4,872,719
Inventory	176,262	-	176,262	166,740
Accounts receivable	4,056	-	4,056	
Due from General Fund	(5,958,577)	5,958,577	-	
Total current assets	(230,849)	5,958,577	5,727,728	5,686,431
Trunk Island (Note 5)	1,864,098	-	1,864,098	670,500
TOTAL ASSETS	\$ 1,633,249	\$ 5,958,577	\$ 7,591,826	\$ 6,356,931
LIABILITIES				
Accounts payable	\$ 5,030	\$ -	\$ 5,030	\$ -
Loan payable (Note 6)	600,000	-	600,000	-
Promissory note payable (Note 5)	400,000	-	400,000	-
TOTAL LIABILITIES	1,005,030	-	1,005,030	-
FUND BALANCES				
Restricted Funds (Note 3)	-	5,958,577	5,958,577	5,586,617
Unrestricted Funds	628,219	-	628,219	770,314
TOTAL FUND BALANCES	628,219	5,958,577	6,586,796	6,356,931
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,633,249	\$ 5,958,577	\$ 7,591,826	\$ 6,356,931

The accompanying notes are an integral part of the financial statements

SIGNED ON BEHALF OF THE SOCIETY:


.....President


.....Treasurer

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF OPERATIONS
Year ended March 31, 2015
(Expressed in Bermuda dollars)

	General Fund	
	2015	2014 (Note 12)
REVENUES		
Membership dues	\$ 396,580	\$ 526,607
Major gifts and donations	454,138	365,643
Capital Campaign donations	180,750	-
Education (Note 12)	120,327	179,758
Boat hire and tours (Note 12)	44,836	19,596
Gift shop and concessions (Note 12)	182,680	197,270
Change in fair value of investments (Note 4)	71,456	65,735
Investment income	3,012	1,896
	1,453,779	1,356,505
EXPENDITURES		
Membership and development	511,187	487,568
Education (Note 12)	423,375	413,487
Trunk Island	22,217	-
Gift shop and concessions	198,254	198,707
Professional fees	58,200	18,161
Bank charges	10,364	9,722
Executive	3,328	6,875
	1,226,925	1,134,520
EXCESS OF REVENUES OVER EXPENDITURES	\$ 226,854	\$ 221,985

The accompanying notes are an integral part of the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
Year ended March 31, 2015
(Expressed in Bermuda dollars)

	2015				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
RESTRICTED FUNDS					
Animal Research Fund	\$ 27,085	\$ 43,375	\$ 26,890	\$ 1,650	\$ 45,220
BAMZ Fund	82,265	15,400	22,091	-	75,574
Bill Scott Memorial Fund	378,736	-	22	(378,714)	-
Capital Campaign	1,566,249	175	5,015	(482,800)	1,078,609
Cave Project Fund	2,029	-	-	(2,029)	-
Concession Fund	36,044	4,390	6,158	400	34,676
Conservation Research Fund	23,418	220,993	199,457	66,934	111,888
Curator's Discretionary Fund	-	1,829	29,717	27,888	-
Education Fund	99,204	-	-	492,935	592,139
Education Endowment Fund (Note 6)	1,837,478	52,360	-	(100,000)	1,789,838
Eric Clee Environment Fund	38,812	20,000	5,515	-	53,297
Exhibit Fund	59,794	-	-	-	59,794
Facility Rental Fund	106,389	16,840	6,135	-	117,094
Friends of Bermuda Aquarium Fund	3,890	-	271	(3,619)	-
Front Entrance Renewal Fund	189,980	-	-	-	189,980
Hospital Equipment Fund	69,062	-	-	(69,062)	-
Lecture Fund	30,694	-	-	-	30,694
Lionfish Project Fund	(1,128)	136,121	138,892	1,000	(2,899)
Madagascar Exhibit Fund	58,954	2,032	-	(60,986)	-
Marine Species Recovery Fund	21	13,920	6,000	-	7,941
Moorings Fund	18,832	14,250	1,850	-	31,232
Nonsuch Fund	6,623	2,135	1,781	-	6,977
North Carolina University Fund	(1,276)	-	-	-	(1,276)
Ocean Genome Legacy Fund	1,348	-	2,800	1,452	-
Project Nature Fund	480	90	1,703	1,133	-
Publication Fund	58,899	6,828	375	(1,133)	64,219
REEF Fund	2,705	-	5,646	2,941	-
Seahorse Project Fund	1,136	-	-	(1,136)	-
Steinhoff Scholarship Fund	191,993	23,685	20,288	18,000	213,390
Technology & Equipment Fund	14,360	-	-	-	14,360
Trunk Island Fund	670,500	-	-	771,381	1,441,881
Volunteer Fund	-	3,445	86,159	82,714	-
Youth Fund	12,041	-	8,092	-	3,949
	<u>5,586,617</u>	<u>577,868</u>	<u>574,857</u>	<u>368,949</u>	<u>5,958,577</u>
General Fund - Unrestricted	770,314	1,453,779	1,226,925	(368,949)	628,219
TOTAL FUNDS	\$ 6,356,931	\$ 2,031,647	\$ 1,801,782	\$ -	\$ 6,586,796

The accompanying notes are an integral part of the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
Year ended March 31, 2015
(expressed in Bermuda dollars)

	2014 (Note 12)				Fund Balances, End of year
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	
RESTRICTED FUNDS					
Animal Research Fund	\$ 28,746	\$ 195	\$ 1,856	\$ -	\$ 27,085
BAMZ Fund	74,176	8,027	(62)	-	82,265
Bill Scott Memorial Fund	373,029	5,720	13	-	378,736
Capital Campaign	1,595,587	-	5,000	(24,338)	1,566,249
Cave Project Fund	2,029	-	-	-	2,029
Concession Fund	25,935	22,195	12,086	-	36,044
Conservation Research Fund	44,965	86,399	107,946	-	23,418
Curator's Discretionary Fund	-	-	10,606	10,606	-
Development Fund	-	396	-	(396)	-
Education Fund	109,514	-	-	(10,310)	99,204
Education Endowment Fund (Note 6)	1,894,514	42,964	-	(100,000)	1,837,478
Eric Clee Environment Fund	54,810	-	15,998	-	38,812
Exhibit Fund	59,794	-	-	-	59,794
Facility Rental Fund	100,559	15,230	9,400	-	106,389
Friends of Bermuda Aquarium Fund	1,720	2,250	80	-	3,890
Front Entrance Renewal Fund	201,600	-	11,620	-	189,980
Hospital Equipment Fund	69,062	-	-	-	69,062
Lecture Fund	31,964	-	1,270	-	30,694
Lionfish Project Fund	-	117,419	118,547	-	(1,128)
Madagascar Exhibit Fund	55,889	3,426	361	-	58,954
Marine Species Recovery Fund	195	-	174	-	21
Moorings Fund	26,830	-	7,998	-	18,832
Nonsuch Fund	4,783	1,840	-	-	6,623
North Carolina University Fund	(12,848)	12,830	1,258	-	(1,276)
Ocean Genome Legacy Fund	4,848	-	3,500	-	1,348
Project Nature Fund	-	480	-	-	480
Publication Fund	50,756	9,608	1,465	-	58,899
REEF Fund	2,635	1,270	1,200	-	2,705
Restaurant Fund	-	-	29,641	29,641	-
Seahorse Project Fund	1,136	-	-	-	1,136
Steinhoff Scholarship Fund	170,807	28,330	7,144	-	191,993
Technology & Equipment Fund	20,023	5,000	10,663	-	14,360
Trunk Island Fund	670,500	-	-	-	670,500
Volunteer Fund	-	35,401	89,816	54,415	-
Youth Fund	16,875	-	4,834	-	12,041
	<u>5,680,433</u>	<u>398,980</u>	<u>452,414</u>	<u>(40,382)</u>	<u>5,586,617</u>
General Fund - Unrestricted	507,947	1,356,505	1,134,520	40,382	770,314
TOTAL FUNDS	<u>\$ 6,188,380</u>	<u>\$ 1,755,485</u>	<u>\$ 1,586,934</u>	<u>\$ -</u>	<u>\$ 6,356,931</u>

The accompanying notes are an integral part of the financial statements

**BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2015

(Expressed in Bermuda dollars)

1. DESCRIPTION OF BUSINESS

The Bermuda Zoological Society (the "Society") is a non-profit support organization set up primarily to provide assistance in maintaining the Bermuda Aquarium Museum and Zoo ("BAMZ") located at Flatts Village, 40 North Shore Road, Hamilton Parish. The Society is a Bermuda registered charity and body corporate incorporated by Private Act of Parliament known as the Bermuda Zoological Society Act 1999. The Society's aim is to inspire appreciation and care for Bermuda's island environment through education, conservation, animal care and family fun. The Society also operates a gift shop and restaurant located at BAMZ.

2. FUND ACCOUNTING

The Society follows the restricted fund method of accounting for contributions.

General Fund

The General Fund accounts for all transactions resulting from the operations of the Society. This fund records transactions that do not fall under the focus of the Restricted Funds as defined below.

Restricted Funds

Restricted contributions and funds internally restricted for specific projects are recorded in the restricted fund. Restricted funds also include an internally restricted Education Endowment Fund whose purpose is to provide long-term support for the Society's educational programs (Note 6). Restricted funds also include a donation and purchase of land located at Trunk Island (Note 5).

3. 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 as set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, except that they are prepared on a cash basis instead of on the accrual basis, and with the exception of land the Society has not recorded capital assets and related depreciation. A statement of cash flows has not been included because the financial statements are presented on a cash basis, and the information on the Society's cash flows is readily obtainable from the other primary statements.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2015
(Expressed in Bermuda dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue from the gift shop and concessions is recognized at the point of sale. The Society earns commission from restaurant sales which are recognized when received.

Membership revenue is recognized when received. During the year ended March 31, 2014 the Society changed its annual membership year from March 31 to December 31. Annual memberships expire on December 31 each year.

Revenue from boat hire and tours and education programs is recognized when received.

Donated services

The Society records donated services at their fair value at the date of contribution when fair value can be reasonably estimated, and the services are normally purchased and would be paid for if not donated.

Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services. Because of the difficulty in determining their fair value contributed services are not recognized in these financial statements.

Inventory

Gift shop and wholesale inventory is carried at the lower of cost and net realizable value.

Capital assets

Capital assets are expensed in the year of purchase with the exception of land which is carried at its estimated fair value at the date of donation or cost of purchase. During the year ended March 31, 2015, capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

	2015	2014
Restaurant Fund	\$ -	\$ 29,641

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015
(Expressed in Bermuda dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets (cont'd)

During the year ended March 31, 2013, construction of a new restaurant and café was completed. Additional capital expenditure of \$29,641 was incurred during the year ended March 31, 2014. On completion, the new facilities were transferred to BAMZ.

Financial instruments

Financial assets consist of cash and investments in money market funds, equity securities, corporate bonds, fixed income securities and alternative investments (Note 4).

Financial liabilities consist of a loan payable and promissory note payable which are carried at amortized cost.

Investments quoted in an active market are carried at fair value, with the related net change in fair value included in the General Fund statement of operations. Changes in fair value for investments restricted for the Education Endowment Fund and the Steinhoff Scholarship Fund are included in revenues and expenditures of the respective Fund. The fair value of the marketable securities is based on quoted market values. Transaction costs are recognized in net income of the appropriate fund in the period incurred.

Alternative investments are valued at fair value with the change in this value included in the statement of operations. In determining fair value, the Society utilizes the net asset valuations of the underlying investment funds which are drawn from their most recent financial statements which value securities and other financial instruments on a mark-to-market basis of accounting or investor statements.

Purchases and sales of marketable securities are accounted for at the transaction date.

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as an expense of the respective Fund. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized as revenue of the respective Fund.

Use of estimates

The preparation of financial statements in conformity 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 asset 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. While management believes that the amounts included in the financial statements reflect the Society's best estimates and assumptions, actual results could differ from those estimates.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2015
(Expressed in Bermuda dollars)

4. INVESTMENTS

	March 31, 2015	March 31, 2014
Money market funds	\$ 61,791	\$ 344,944
Equity securities	1,057,184	1,103,417
Corporate bonds and fixed income securities	2,907,664	3,174,358
Alternative investments	746,853	250,000
	<u>\$ 4,773,492</u>	<u>\$ 4,872,719</u>

Certain of the Society's investments with a fair value of \$2,771,876 as at March 31, 2015 are secured against the loan payable (Note 6).

5. TRUNK ISLAND

The Society owns land located at Trunk Island on Harrington Sound, Hamilton Parish, Bermuda which is used to support the Society's education and conservation and research programs. In March 2007 the Society was donated a one-third undivided interest in 4.15 of the 6.67 acres of land on Trunk Island. This donated asset is carried at its estimated fair value of \$670,500 at the date of donation.

In March 2015 the Society purchased outright 2.52 acres on Trunk Island for total consideration of \$1,192,750 plus legal and other associated costs. As at March 31, 2015 the Society has capitalized the consideration and costs paid to date of \$793,598 of which \$600,000 was funded by a loan from UBS AG (Note 6). The remaining consideration of \$400,000 is payable by way of a non-interest bearing promissory note in four equal installments of \$100,000 annually on the anniversary of the date of completion. The carrying value of land of \$1,864,098 comprises the original donated amount of \$670,500, consideration paid during the current year of \$793,598 and promissory note payable of \$400,000.

6. LOAN PAYABLE

On March 11, 2015 the Society entered into a one-month rolling fixed term loan with UBS AG in an amount of \$600,000. Interest is payable on maturity at a rate of 2.17% per annum. The loan has as security the Society's investment portfolio with a fair value of \$2,771,876 at March 31, 2015.

7. DONATIONS

Audit fees for the year ended March 31, 2015 are recorded at their fair value of \$18,500 (2014: \$18,100). The actual amount charged for the audit is \$3,700 (2014: \$3,620) with the difference of \$14,800 (2014: \$14,480) being recorded as a donation to the General Fund.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015
(Expressed in Bermuda dollars)

8. EDUCATION ENDOWMENT FUND

In 1998, the Society set up through a deed of charitable trust, The Bermuda Zoological Society Education Endowment Fund (the "BZS EEF"). The BZS EEF was established to provide funding for the Society's educational programs. The Trustees of the BZS EEF had its own Trustees and prior to the year ended March 31, 2012, the net assets of the BZS EEF were not recognized in the Society's financial statements.

During the year ended March 31, 2012 new Trustees were appointed to the BZS EEF and control of the BZS EEF was transferred to the Society. Accordingly the net assets of the BZS EEF of \$1,789,838 (2014 - \$1,837,478) are recognized in the Education Endowment Fund.

9. FINANCIAL INSTRUMENTS

Fair value

The Society measures its financial instruments at fair value with the changes in fair value included in the statement of operations or the appropriate restricted fund. The fair value of the Society's financial instruments approximates their carrying value due to their relative short term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Society would actually realize in a current market exchange. Certain items such as land and inventory are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Society.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Society. To manage the level of credit risk, the Society deals with counterparties of good credit standing. There are no significant concentrations of credit risk. The Society's maximum exposure to credit risk is represented by the carrying values of its cash balances. Management considers credit risk to be minimal.

Liquidity risk

The Society is dependent on donations, membership dues, and government grants to maintain operational cash flows. The Society forecasts anticipated cash flow deficiencies and requests the necessary funding from donors to manage this liquidity risk. The Society is exposed to liquidity risk mainly with respect to its loan payable (Note 6) and promissory note payable (Note 5).

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015
(Expressed in Bermuda dollars)

9. FINANCIAL INSTRUMENTS (cont'd)

Market risk

The Society is exposed to the risk that donations may decrease due to changes in market factors and general economic declines which will likely have a negative effect on the Society's ability to generate donation revenues, the majority of which are derived from Bermuda-based corporate and individual members and donors.

The Society is also exposed to market price risk on its investment portfolio.

Cash and cash equivalents, fixed income securities and loan payable are subject to interest rate risk as interest is earned or incurred at fluctuating market rates.

10. CAPITAL DISCLOSURES

The Society defines capital as the total balance of its restricted and unrestricted funds. The Society's objective when managing capital is to meet its current operating budget with funding available from membership dues, corporate and individual donations, fundraising activities, government grants, and operation of the gift shop and other concessions.

The Society manages an externally restricted donation of land located on Trunk Island in the amount of \$1,464,098 (2014 - \$670,500). The Society has complied with all externally imposed capital requirements during the year. Certain other fund balances are internally restricted by the Society.

11. MEMBERSHIP REVENUES

The Society changed its membership year from April 1 through March 31 to January 1 through December 31 during the year ended March 31, 2014. As a part of the change, the Society gave its members the option of paying for the new period in its entirety and donating the portion of membership fees already paid or paying a prorated membership fee for the remainder of the unpaid membership period. As a result of this change, revenues associated with membership fees have increased in the prior year.

**BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2015

(Expressed in Bermuda dollars)

12. COMPARATIVE FIGURES PRESENTATION

During the year ended March 31, 2015 the Society changed the presentation of its restricted Education, Boat and Restaurant Funds. Revenues and expenditures of these funds have been included in the statement of operations with comparative figures amended. These fund movements were previously included in the statement of changes in fund balances. Externally restricted land of \$670,500 has been reallocated to the Trunk Island Fund.

The comparative figures for the year ended March 31, 2014 have been represented to conform with the presentation in the current year. The effect of this restatement on the statement of operations for the year ended March 31, 2014 is as follows:

	As previously reported	Adjustment	As reported
Revenues	\$ 1,151,848	\$ 204,657	\$ 1,356,505
Expenditures	721,033	413,487	1,134,520
	<u>\$ 430,815</u>	<u>\$ (208,830)</u>	<u>\$ 221,985</u>

This change in presentation has no impact on the Society's total fund balance of \$6,356,931 as at March 31, 2014.