

2014-15 Audited Financial Statement will not be available until
June 25, 2015.

Bermuda Zoological Society

**Financial Statements and
Independent Auditors' Report**

March 31, 2014

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, 2014, the statements of operations and changes in fund balances for the year then ended, and notes, comprising 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, deficiency of revenues over expenditures, assets and fund balances.

As disclosed in Note 3, 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, 2014 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.

Chartered Professional Accountants
Hamilton, Bermuda
[DATE]

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

(Expressed in Bermuda dollars)

	2014			2013
	General Fund	Restricted Funds	Total	Total
ASSETS				
Cash and investments				
Cash float	\$ 7,800	\$ -	\$ 7,800	\$ 7,800
Current accounts	424,436	-	424,436	639,880
Time deposits	214,736	-	214,736	216,048
Investments (Note 4)	4,872,719	-	4,872,719	4,500,960
Inventory	166,740	-	166,740	153,192
Due from General Fund	(4,916,117)	4,916,117	-	-
	770,314	4,916,117	5,686,431	5,517,880
Total Current Assets	770,314	4,916,117	5,686,431	5,517,880
Restricted asset – Land	-	670,500	670,500	670,500
	\$ 770,314	\$ 5,586,617	\$ 6,356,931	\$ 6,188,380
	\$ 770,314	\$ 5,586,617	\$ 6,356,931	\$ 6,188,380
FUND BALANCES				
Externally restricted (Note 3)	\$ -	\$ 670,500	\$ 670,500	\$ 670,500
Internally restricted (Note 3)	-	4,916,117	4,916,117	5,009,933
Unrestricted	770,314	-	770,314	507,947
	\$ 770,314	\$ 5,586,617	\$ 6,356,931	\$ 6,188,380
	\$ 770,314	\$ 5,586,617	\$ 6,356,931	\$ 6,188,380

The accompanying notes on pages 8 to 14 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, 2014
(Expressed in Bermuda dollars)

	General Fund	
	2014	2013
REVENUES		
Membership dues	\$ 526,607	\$ 366,797
Non-designated donations (Note 5)	365,643	93,162
Gift shop and wholesale	191,967	215,317
Change in fair value of investments (Note 4)	65,735	118,844
Investment income	1,896	3,502
	1,151,848	797,622
EXPENDITURES		
Membership and development	487,568	349,272
Gift shop and wholesale	198,707	245,293
Professional fees (Note 5)	18,161	17,710
Bank charges	9,722	7,609
Executive	6,875	3,106
	721,033	622,990
EXCESS OF REVENUES OVER EXPENDITURES	\$ 430,815	\$ 174,632

The accompanying notes on pages 8 to 14 are an integral part of the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES

Year ended March 31, 2014
(Expressed in Bermuda dollars)

	2014				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
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
Boat Fund	-	19,596	123,419	103,823	-
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	179,758	290,068	100,000	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	-	5,303	29,641	24,338	-
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
Volunteer Fund	-	35,401	89,816	54,415	-
Youth Fund	16,875	-	4,834	-	12,041
	5,009,933	603,637	865,901	168,448	4,916,117
General Fund	507,947	1,151,848	721,033	(168,448)	770,314
Externally Restricted	670,500	-	-	-	670,500
TOTAL FUNDS	\$ 6,188,380	\$ 1,755,485	\$ 1,586,934	\$ -	\$ 6,356,931

The accompanying notes on pages 8 to 14 are an integral part of the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES

year ended March 31, 2014
(expressed in Bermuda dollars)

	2013				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
RESTRICTED FUNDS					
Animal Research Fund	\$ 28,275	\$ 475	\$ 4	\$ -	\$ 28,746
BAMZ Fund	62,047	12,268	139	-	74,176
Bill Scott Memorial Fund	125,126	250,187	2,284	-	373,029
Boat Fund	-	25,654	94,443	68,789	-
Capital Campaign	1,812,951	-	-	(217,364)	1,595,587
Cave Project Fund	2,029	-	-	-	2,029
Concession Fund	18,326	19,331	11,722	-	25,935
Conservation Research Fund	76,272	310,784	342,091	-	44,965
Curator's Discretionary Fund	-	2,480	11,522	9,042	-
Education Fund	96,616	258,134	245,236	-	109,514
Education Endowment Fund (Note 6)	1,808,427	86,087	-	-	1,894,514
Eric Clee Environment Fund	59,845	-	5,035	-	54,810
Exhibit Fund	59,794	-	-	-	59,794
Facility Rental Fund	74,326	30,800	4,567	-	100,559
Food and Agricultural Fund	2,803	-	2,803	-	-
Friends of Bermuda Aquarium Fund	-	1,720	-	-	1,720
Front Entrance Renewal Fund	212,039	-	10,439	-	201,600
Hospital Equipment Fund	69,062	-	-	-	69,062
Lecture Fund	30,454	1,510	-	-	31,964
Madagascar Exhibit Fund	55,486	3,376	2,973	-	55,889
Marine Species Recovery Fund	54,025	6,001	59,831	-	195
Moorings Fund	39,504	-	12,674	-	26,830
Nonsuch Fund	4,434	1,314	965	-	4,783
North Carolina University Fund	-	2,800	15,648	-	(12,848)
Ocean Genome Legacy Fund	8,548	-	3,700	-	4,848
Publication Fund	43,611	7,538	393	-	50,756
Reef Fund	8,103	2,000	7,468	-	2,635
Restaurant Fund	5,495	200,000	422,859	217,364	-
Seahorse Project Fund	1,136	-	-	-	1,136
Steinhoff Scholarship Fund	164,152	18,697	12,042	-	170,807
Technology & Equipment Fund	29,629	-	9,606	-	20,023
Volunteer Fund	-	40,912	76,773	35,861	-
Youth Fund	16,875	-	-	-	16,875
	4,969,390	1,282,068	1,355,217	113,692	5,009,933
General Fund	447,007	797,622	622,990	(113,692)	507,947
Externally Restricted	670,500	-	-	-	670,500
TOTAL FUNDS	\$ 6,086,897	\$ 2,079,690	\$ 1,978,207	\$ -	\$ 6,188,380

The accompanying notes on pages 8 to 14 are an integral part of the financial statements

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

(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. 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). Externally restricted funds represent a donation of land located at Trunk Island.

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 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, 2014

(Expressed in Bermuda dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from the gift shop 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 the Society changed its annual membership year. Annual memberships expire on December 31 (2013 - March 31) each year.

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. During the year ended March 31, 2014, capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

	2014	2013
Boat Fund	\$ -	\$ 3,675
Education Fund	-	806
Restaurant Fund	29,641	422,859

During the year ended March 31, 2013, construction of a new restaurant and café was completed at a total cost to the Society, funded by donor contributions, of \$422,859. Additional capital expenditure of \$29,641 was incurred during the current year. On completion, the new facilities were transferred to BAMZ.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

(Expressed in Bermuda dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

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

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.

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, 2014

(Expressed in Bermuda dollars)

4. INVESTMENTS

	March 31, 2014	March 31, 2013
Money market funds	\$ 344,944	\$ 430,446
Equity securities	1,043,598	-
Corporate bonds and fixed income securities	3,174,358	4,070,514
Alternative investments	309,819	-
	\$ 4,872,719	\$ 4,500,960
	\$ 4,872,719	\$ 4,500,960

5. DONATIONS

Audit fees for the year ended March 31, 2014 are recorded at their fair value of \$18,100 (2013: \$17,710). The actual amount charged for the audit is \$3,620 (2013: \$3,575) with the difference of \$14,480 (2013: \$14,125) being recorded as a non-designated donation to the General Fund.

6. 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 \$1,837,478 (2013 - \$1,894,514) are recognized in the Education Endowment Fund.

During the year ended March 31, 2014, an amount of \$100,000 was transferred from the BZS EEF to the Education Fund to support the Society's education programs.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

(Expressed in Bermuda dollars)

7. 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.

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 and fixed income securities are subject to interest rate risk as interest is earned at fluctuating market rates.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

(Expressed in Bermuda dollars)

8. 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 \$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.