

Bermuda Zoological Society

**Financial Statements and
Independent Auditors' Report**

March 31, 2012

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, 2012, 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 principles 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. In this respect the financial statements are not prepared in accordance with accounting principles generally accepted in Bermuda and Canada. During the year ended March 31, 2012, the Society expensed capital asset purchases of \$366,491 (2011: \$794,408). If the Society had begun to capitalize their capital assets in the year ended March 31, 2004, in which they were required to do so, fund balances and capital assets would increase by \$281,993 (2011: \$1,134,903) and net deficiency of revenues over expenditures for the year would increase (decrease) by \$852,910 (2011: (\$748,812)).

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.

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, 2012 and the results of its operations and changes in fund balances for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Deloitte + Touche Ltd.


June 27, 2012

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
as at March 31, 2012
(expressed in Bermuda dollars)

	2012			2011
	General Fund	Restricted Funds	Total	
ASSETS				
Cash and investments				
Cash float	\$ 7,800	\$ -	\$ 7,800	\$ 7,800
Current accounts	2,094,273	-	2,094,273	346,214
Time deposits	219,690	-	219,690	2,767,487
Investments – classified as available-for-sale (Note 4)	2,927,473	-	2,927,473	1,115,608
Restricted asset- Land	-	670,500	670,500	670,500
Due from General Fund	(4,969,390)	4,969,390	-	-
	279,846	5,639,890	5,919,736	4,907,609
Inventory	167,161	-	167,161	150,535
	\$ 447,007	\$ 5,639,890	\$ 6,086,897	\$ 5,058,144
FUND BALANCES				
Externally restricted (Note 2)	\$ -	\$ 670,500	\$ 670,500	\$ 670,500
Internally restricted (Note 2)	-	4,969,390	4,969,390	3,583,312
Unrestricted	442,917	-	442,917	787,741
Unrestricted gains and losses on investments classified as available-for-sale	4,090	-	4,090	16,591
	\$ 447,007	\$ 5,639,890	\$ 6,086,897	\$ 5,058,144

See accompanying notes to the financial statements

SIGNED ON BEHALF OF THE SOCIETY:


.....President


.....Treasurer

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF OPERATIONS
year ended March 31, 2012
(expressed in Bermuda dollars)

	General Fund	
	2012	2011
REVENUES		
Membership dues	\$ 412,354	\$ 413,420
Gift shop and wholesale	246,428	247,076
Non-designated donations (Note 5)	76,044	144,481
Investment income	4,325	11,004
	739,151	815,981
EXPENDITURES		
Membership and development	498,626	575,252
Gift shop and wholesale	289,226	287,814
Bank charges	36,063	5,240
Professional fees (Note 5)	17,500	17,500
Executive	658	1,585
	842,073	887,391
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (102,922)	\$ (71,410)

See accompanying notes to the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
year ended March 31, 2012
(expressed in Bermuda dollars)

	2012				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
RESTRICTED FUNDS					
Animal Research Fund	\$ 28,095	\$ 232	\$ 52	\$ -	\$ 28,275
BAMZ Fund	46,812	15,373	138	-	62,047
Bill Scott Memorial Fund	-	125,170	44	-	125,126
Boat Fund	-	31,090	107,947	76,857	-
Capital Campaign	1,801,951	11,000	-	-	1,812,951
Cave Project Fund	2,029	-	-	-	2,029
Concession Fund	10,653	20,046	12,373	-	18,326
Conservation Research Fund	125,639	329,333	378,700	-	76,272
Curator's Discretionary Fund	-	-	20,835	20,835	-
Education Fund	222,189	283,381	408,954	-	96,616
Education Endowment Fund (Note 6)	-	1,713,789	-	94,638	1,808,427
Employee Health Benefit Fund	67,469	-	84,454	16,985	-
Eric Clee Environment Fund	77,250	-	17,405	-	59,845
Exhibit Fund	59,794	-	-	-	59,794
Facility Rental Fund	48,881	29,855	4,410	-	74,326
Food and Agricultural Fund	12,851	-	10,048	-	2,803
Front Entrance Renewal Fund	212,039	-	-	-	212,039
Hospital Equipment Fund	69,062	-	-	-	69,062
Lecture Fund	30,523	-	69	-	30,454
Madagascar Exhibit Fund	412,952	-	357,466	-	55,486
Marine Species Recovery Fund	54,890	101,334	102,199	-	54,025
Moorings Fund	39,838	9,500	9,834	-	39,504
Nonsuch Fund	1,611	2,823	-	-	4,434
Ocean Genome Legacy Fund	-	9,989	1,441	-	8,548
Publication Fund	32,439	11,401	229	-	43,611
Reef Fund	8,103	-	-	-	8,103
Restaurant Fund	-	50,000	44,505	-	5,495
Seahorse Project Fund	-	1,136	-	-	1,136
Steinhoff Scholarship	170,150	10,000	15,998	-	164,152
Technology & Equipment Fund	31,217	-	1,588	-	29,629
Volunteer Fund	-	38,043	70,630	32,587	-
Youth Fund	16,875	-	-	-	16,875
	3,583,312	2,793,495	1,649,319	241,902	4,969,390
General Fund	787,741	739,151	842,073	(241,902)	442,917
Externally Restricted	670,500	-	-	-	670,500
Unrealized gains/(losses) on investments	16,591	-	12,501	-	4,090
TOTAL FUNDS	\$ 5,058,144	\$ 3,532,646	\$ 2,503,893	\$ -	\$ 6,086,897

See accompanying notes to the financial statements

BERMUDA ZOOLOGICAL SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
year ended March 31, 2012
(expressed in Bermuda dollars)

	2011				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
RESTRICTED FUNDS					
Animal Research Fund	\$ 26,735	\$ 1,407	\$ 47	\$ -	\$ 28,095
BAMZ Fund	56,340	20,000	29,528	-	46,812
Boat Fund	65,589	31,413	117,373	20,371	-
Cave Project Fund	2,029	-	-	-	2,029
Capital Campaign Fund	2,780,685	119,925	-	(1,098,659)	1,801,951
Concession Fund	2,740	20,515	12,602	-	10,653
Conservation Research Fund	97,559	587,333	559,253	-	125,639
Curator's Discretionary Fund	-	3,354	21,329	17,975	-
Development Fund	500,000	-	-	(500,000)	-
Education Fund	22,303	722,331	548,784	26,339	222,189
Education Equipment Fund	17,490	-	-	(17,490)	-
Employee Health Benefit Fund	128,091	-	60,622	-	67,469
Eric Clee Environment Fund	97,146	-	19,896	-	77,250
Exhibit Fund	59,794	-	-	-	59,794
Facility Rental Fund	7,468	44,285	5,038	2,166	48,881
Friends of Bermuda Aquarium Fund	23,295	250	23,545	-	-
Food and Agricultural Fund	7,532	62,047	56,728	-	12,851
Front Entrance Renewal Fund	212,039	-	-	-	212,039
Hospital Equipment Fund	171,337	7,755	110,030	-	69,062
Landscapes Fund	8,849	-	-	(8,849)	-
Lecture Fund	29,085	1,585	147	-	30,523
Life Support Fund	2,288	-	-	(2,288)	-
Madagascar Exhibit Fund	-	-	671,058	1,084,010	412,952
Marine Operations Fund	1,908	-	-	(1,908)	-
Marine Species Recovery Fund	22,237	96,927	70,436	6,162	54,890
Moorings Fund	56,304	9,500	25,966	-	39,838
Nonsuch Fund	100	4,534	3,023	-	1,611
North Rock Divers Fund	2,166	-	-	(2,166)	-
Publication Fund	49,214	20,254	37,029	-	32,439
Reef Fund	17,476	200	9,573	-	8,103
Restaurant Fund	-	-	14,649	14,649	-
Steinhoff Conservation Scholarship Fund	186,226	-	16,076	-	170,150
Seahorse Project Fund	6,162	-	-	(6,162)	-
Technology & Equipment Fund	31,506	-	289	-	31,217
Volunteer Fund	(5,478)	59,912	87,020	32,586	-
Youth Fund	32,340	-	15,465	-	16,875
	4,718,555	1,813,527	2,515,506	(433,264)	3,583,312
General Fund	425,887	815,981	887,391	433,264	787,741
Externally Restricted	670,500	-	-	-	670,500
Unrealized gains/(losses) on investments	32,147	(15,556)	-	-	16,591
TOTAL	\$ 5,847,089	\$ 2,613,952	\$ 3,402,897	\$ -	\$ 5,058,144

See accompanying notes to the financial statements

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

(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 located at BAMZ.

2. FUND ACCOUNTING

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. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada 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.

The Society has adopted the following significant accounting policies:

Revenue recognition

The Society follows the restricted fund method in which externally restricted contributions (grants and donations) are recognized upon receipt in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized in the general fund.

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

March 31, 2012

(expressed in Bermuda dollars)

3. ACCOUNTING POLICIES (cont'd)

Revenue from the shop is recognized at the point of sale.

Membership revenue is recognized when received. Annual memberships expire on 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, 2012, Capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

	2012	2011
Boat Fund	\$ -	\$ 2,355
Conservation Research Fund	2,359	5,386
Education Equipment Fund	593	920
General Fund	-	348
Hospital Equipment Fund	-	108,067
Madagascar Fund	356,003	647,897
Marine Species Fund	423	-
Membership Fund	5,134	-
Moorings Fund	-	25,529
Nonsuch Fund	-	2,954
Shop Fund	1,325	-
Technology Equipment Fund	175	289
Volunteer Fund	479	229
Youth Fund	-	434

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012
(expressed in Bermuda dollars)

3. ACCOUNTING POLICIES (cont'd)

Capital assets (cont'd)

During the year construction of the Madagascar Exhibit and the Animal Hospital was completed at a total cost to the Society, funded by donor contributions, of \$1,207,361. On completion management and operations of the new facilities were transferred to BAMZ.

Financial instruments

Financial assets are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Society's designation of such instruments. Settlement date accounting is used:

Classification

Cash, current accounts and term deposits	Held-for-trading
Investments	Available-for-sale

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, gains and losses realized on disposal and unrealized gains and losses are included in the Statement of Operations.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity and held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in fund balances until realized when the cumulative gain or loss is transferred to investment income.

Use of estimates

The preparation of financial statements in conformity with accounting principles 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, 2012
(expressed in Bermuda dollars)

3. ACCOUNTING POLICIES (cont'd)

Future accounting changes

In December 2010 the Canadian Institute of Chartered Accountants (“CICA”) issued a new set of accounting standards for not-for-profit organizations as Part III of the CICA Handbook - Accounting. The new accounting standards are effective for the Society’s March 31, 2013 year end (although early adoption is permitted).

The Society is in the process of reviewing the impact of these accounting standards on its financial statements for the year ending March 31, 2013 and in future years, however the impact of these changes is not expected to be material to the financial statements.

4. INVESTMENTS

	2012	2011
Money market funds	\$ 620,069	\$ 911,636
Equity securities	-	141,472
Corporate bonds and fixed income securities	2,307,404	62,500
	\$ 2,927,473	\$ 1,115,608

5. DONATIONS

Audit fees for the year ended March 31, 2012 are recorded at their fair value of \$17,500 (2011: \$17,350). The actual amount charged for the audit is \$3,500 (2011: \$3,500) with the difference of \$14,000 (2011: \$13,850) 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 BZS EEF had its own Trustees and the net assets of the BZS EEF were not previously recognized in the Society’s financial statements. During the year ended March 31, 2012, an amount of \$100,000 (2011: \$100,000) was transferred from the BZS EEF to the Society and is included in revenues within the Education Fund. In addition, during the current year 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 \$1,808,427 as at March 31, 2012 have been recognized in the Education Endowment Fund.

BERMUDA ZOOLOGICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012
(expressed in Bermuda dollars)

7. FINANCIAL INSTRUMENTS

Fair value

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

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, 2012

(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.