

# **Bermuda Zoological Society**

**Financial Statements and  
Independent Auditors' Report**

**March 31, 2013**

## 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, 2013, 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, 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, 2013 and the results of its 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.

### **Comparative Information**

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Society adopted accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada on April 1, 2012 with a transition date of April 1, 2011. The adoption of these standards had no impact on the previously reported assets, liabilities and fund balances of the Society and, accordingly, no adjustments have been recorded in the previously reported statements of financial position, operations, changes in fund balances and cash flows.

*Deloitte + Touche Ltd.*

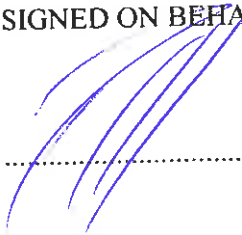
June 26, 2013

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
as at March 31, 2013  
*(expressed in Bermuda dollars)*

	2013			2012	April 1, 2011
	General Fund	Restricted Funds	Total	Total	Total
<b>ASSETS</b>					
Cash and investments					
Cash float	\$ 7,800	\$ -	\$ 7,800	\$ 7,800	\$ 7,800
Current accounts	639,880	-	639,880	2,094,273	346,214
Time deposits	216,048	-	216,048	219,690	2,767,487
Investments (Note 4)	4,500,960	-	4,500,960	2,927,473	1,115,608
Inventory	153,192	-	153,192	167,161	150,535
Due from General Fund	(5,009,933)	5,009,933	-	-	-
Total Current Assets	507,947	5,009,933	5,517,880	5,416,397	4,387,644
Restricted asset – Land	-	670,500	670,500	670,500	670,500
	\$ 507,947	\$ 5,680,433	\$ 6,188,380	\$ 6,086,897	\$ 5,058,144
<b>FUND BALANCES</b>					
Externally restricted (Note 3)	\$ -	\$ 670,500	\$ 670,500	\$ 670,500	\$ 670,500
Internally restricted (Note 3)	-	5,009,933	5,009,933	4,969,390	3,583,312
Unrestricted	507,947	-	507,947	447,007	804,332
	\$ 507,947	\$ 5,680,433	\$ 6,188,380	\$ 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, 2013  
*(expressed in Bermuda dollars)*

	General Fund	
	2013	2012
<b>REVENUES</b>		
Membership dues	\$ 366,797	\$ 412,354
Gift shop and wholesale	215,317	246,428
Non-designated donations (Note 5)	93,162	76,044
Investment income	3,502	4,325
Change in fair value of investments (Note 4)	118,844	(12,501)
	797,622	726,650
<b>EXPENDITURES</b>		
Membership and development	349,272	498,626
Gift shop and wholesale	245,293	289,226
Professional fees (Note 5)	17,710	17,500
Bank charges	7,609	36,063
Executive	3,106	658
	622,990	842,073
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 174,632</b>	<b>\$ (115,423)</b>

*See accompanying notes to the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
year ended March 31, 2013  
*(expressed in Bermuda dollars)*

	2013				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
<b>RESTRICTED FUNDS</b>					
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
<b>TOTAL FUNDS</b>	<b>\$ 6,086,897</b>	<b>\$ 2,079,690</b>	<b>\$ 1,978,207</b>	<b>\$ -</b>	<b>\$ 6,188,380</b>

*See accompanying notes to the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
year ended March 31, 2013  
*(expressed in Bermuda dollars)*

	2012				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
<b>RESTRICTED FUNDS</b>					
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 Fund	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
	<u>3,583,312</u>	<u>2,793,495</u>	<u>1,649,319</u>	<u>241,902</u>	<u>4,969,390</u>
General Fund	804,332	726,650	842,073	(241,902)	447,007
Externally Restricted	670,500	-	-	-	670,500
<b>TOTAL FUNDS</b>	<b>\$ 5,058,144</b>	<b>\$ 3,520,145</b>	<b>\$ 2,491,392</b>	<b>\$ -</b>	<b>\$ 6,086,897</b>

*See accompanying notes to the financial statements*

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

March 31, 2013

*(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. ADOPTION OF ACCOUNTING STANDARDS FOR NOT FOR PROFIT ORGANIZATIONS

Effective April 1, 2012, the Society adopted the requirements of Part III of the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting, accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("Part III"). These are the Society's first financial statements prepared in accordance with Part III which has been applied retrospectively. The Society's disclosures included in these financial statements reflect the new disclosure requirements of Part III.

The adoption of Part III had no impact on the previously reported assets, and liabilities of the Society. The adoption of Part III has resulted in the following transitional adjustment to the previously reported fund balances, revenues and excess (deficiency) of revenues over expenditures of the Society. The transitional adjustment relates to the change in fair value of investments reported in the statement of operations in accordance with Part III, previously reported as unrealized gains (losses) on investments in the statement of changes in fund balances:

Deficiency of revenues over expenditures as previously reported in the General Fund for the year ended March 31, 2012	\$ (102,922)
Transitional adjustment – change in fair value of investments	(12,501)
Deficiency of revenues over expenditures in the General Fund for the year ended March 31, 2012 according to Part III	\$ (115,423)



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

March 31, 2013

*(expressed in Bermuda dollars)*

3. 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 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:

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.

Revenue recognition

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.

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

March 31, 2013

*(expressed in Bermuda dollars)*

3. ACCOUNTING POLICIES (cont'd)

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, 2013, capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

	2013	2012
Boat Fund	\$ 3,675	\$ -
Conservation Research Fund	-	2,359
Education Fund	806	593
Madagascar Fund	-	356,003
Marine Species Fund	-	423
Membership Fund	-	5,134
Restaurant Fund	422,859	-
Shop Fund	-	1,325
Technology Equipment Fund	-	175
Volunteer Fund	-	479

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. On completion, the new facilities were transferred to BAMZ.

During the year ended March 31, 2012, 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.

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

March 31, 2013

*(expressed in Bermuda dollars)*

3. ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial instruments consist of cash and investments in money market funds, equity securities and corporate bonds and fixed income securities (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 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, 2013  
*(expressed in Bermuda dollars)*

4. INVESTMENTS

	March 31, 2013	March 31, 2012	April 1, 2011
Money market funds	\$ 430,446	\$ 620,069	\$ 911,636
Equity securities	-	-	141,472
Corporate bonds and fixed income securities	4,070,514	2,307,404	62,500
	<u>\$ 4,500,960</u>	<u>\$ 2,927,473</u>	<u>\$ 1,115,608</u>

5. DONATIONS

Audit fees for the year ended March 31, 2013 are recorded at their fair value of \$17,710 (2012: \$17,500). The actual amount charged for the audit is \$3,575 (2012: \$3,500) with the difference of \$14,125 (2012: \$14,000) 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 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 \$1,808,427 as at March 31, 2012 were recognized in the Education Endowment Fund.

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

March 31, 2013

*(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 income.

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.

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, 2013

*(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.