

# **Bermuda Zoological Society**

**Financial Statements and  
Independent Auditors' Report**

**March 31, 2017**



## 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 statements of financial position as at March 31, 2017, 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 not-for-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 and excess/(deficit) of revenues over expenditures for the years ended March 31, 2017 and 2016, assets and fund balances as at March 31, 2017 and 2016.

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 standards for not-for-profit organizations generally accepted in Bermuda and Canada.



The Society believes that it is not practicable to quantify the financial effects of the aforementioned decisions. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of the departure from generally accepted accounting standard and limitation in scope described above.

**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, 2017, and its results of operations and changes in fund balances for the years then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

*Deloitte Ltd.*

June 28, 2017



**BERMUDA ZOOLOGICAL SOCIETY  
STATEMENT OF FINANCIAL POSITION**

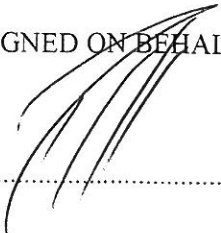
As at March 31, 2017

*(Expressed in Bermuda dollars)*

|  | 2017            |                     |              | 2016         |
|--|-----------------|---------------------|--------------|--------------|
|  | General<br>Fund | Restricted<br>Funds | Total        | Total        |
| <b>ASSETS</b>                                  |                 |                     |              |              |
| Cash and investments                           |                 |                     |              |              |
| Cash float                                     | \$ 7,800        | \$ -                | \$ 7,800     | \$ 7,800     |
| Current accounts                               | 100,923         | 1,280,151           | 1,381,074    | 754,723      |
| Time deposits                                  | 37,459          | 17,438              | 54,897       | 72,501       |
| Investments (Note 4)                           | 2,724,364       | 1,823,383           | 4,547,747    | 4,683,814    |
| Inventory                                      | 153,153         | -                   | 153,153      | 150,038      |
| Accounts receivable                            | 1,279           | -                   | 1,279        | 2,058        |
| Deposits                                       | 12,599          | -                   | 12,599       | -            |
| Due from General Fund (Note 6)                 | (1,849,259)     | 1,849,259           | -            | -            |
| Total current assets                           | 1,188,318       | 4,970,231           | 6,158,549    | 5,670,934    |
| Trunk Island (Note 5)                          | -               | 1,864,098           | 1,864,098    | 1,864,098    |
| <b>TOTAL ASSETS</b>                            | \$ 1,188,318    | \$ 6,834,329        | \$ 8,022,647 | \$ 7,535,032 |
| <b>LIABILITIES</b>                             |                 |                     |              |              |
| Accounts payable                               | \$ 5,409        | \$ -                | \$ 5,409     | \$ 14,816    |
| Loan payable (Note 7)                          | 629,885         | -                   | 629,885      | 613,816      |
| Promissory note payable (Note 5)               | 100,000         | -                   | 100,000      | 100,000      |
| Total current liabilities                      | 735,294         | -                   | 735,294      | 728,632      |
| Promissory note payable (Note 5)               | 100,000         | -                   | 100,000      | 200,000      |
| <b>TOTAL LIABILITIES</b>                       | 835,294         | -                   | 835,294      | 928,632      |
| <b>FUND BALANCES</b>                           |                 |                     |              |              |
| Restricted Funds                               | -               | 6,834,329           | 6,834,329    | 6,250,742    |
| Unrestricted Funds                             | 353,024         | -                   | 353,024      | 355,658      |
| <b>TOTAL FUND BALANCES</b>                     | 353,024         | 6,834,329           | 7,187,353    | 6,606,400    |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | \$ 1,188,318    | \$ 6,834,329        | \$ 8,022,647 | \$ 7,535,032 |

*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, 2017  
*(Expressed in Bermuda dollars)*

|   | General Fund    |                     |
|---|-----------------|---------------------|
|   | 2017            | 2016                |
| <b>REVENUES</b>                                       |                 |                     |
| Education   | \$ 519,094      | \$ 442,153          |
| Membership dues                                       | 410,884         | 408,057             |
| Gift shop and concessions                             | 249,123         | 188,178             |
| Major gifts and donations (Note 8)                    | 196,688         | 145,283             |
| Change in fair value of investments                   | 120,291         | (81,491)            |
| Boat hire and tours                                   | 55,195          | 30,309              |
| Investment income                                     | 4,320           | 1,732               |
|   | 1,555,595       | 1,134,221           |
| <b>EXPENDITURES</b>                                   |                 |                     |
| Membership and development                            | 539,342         | 491,761             |
| Education   | 468,354         | 373,693             |
| Boat hire and tours                                   | 129,058         | 125,763             |
| Gift shop and concessions                             | 272,361         | 248,416             |
| Volunteers  | 87,227          | 87,062              |
| Professional fees (Note 8)                            | 35,311          | 33,553              |
| Bank interest and charges                             | 17,929          | 28,007              |
| Executive   | 3,556           | 7,223               |
|   | 1,553,138       | 1,395,478           |
| <b>EXCESS/(DEFICIT) OF REVENUES OVER EXPENDITURES</b> | <b>\$ 2,457</b> | <b>\$ (261,257)</b> |

*The accompanying notes are an integral part of the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
Year ended March 31, 2017  
*(Expressed in Bermuda dollars)*

|                                   | 2017                                      |                     |                     |                         |                                     |
|-----------------------------------|---|---------------------|---------------------|-------------------------|-------------------------------------|
|                                   | Fund<br>Balances,<br>Beginning<br>of year | Revenues            | Expenditures        | Inter-fund<br>Transfers | Fund<br>Balances,<br>End of<br>year |
| <b>RESTRICTED FUNDS</b>           |   |                     |                     |                         |                                     |
| Animal Research Fund              | \$ 28,392                                 | \$ 24,300           | \$ 22,663           | \$ –                    | \$ 30,029                           |
| BAMZ Fund                         | 84,769                                    | 15,560              | 13,998              | –                       | 86,331                              |
| Capital Campaign Fund             | 1,847,204                                 | 995,530             | 162,373             | –                       | 2,680,361                           |
| Conservation Research Fund        | 145,330                                   | 146,506             | 167,396             | 29,386                  | 153,826                             |
| Curator's Discretionary Fund      | –   | –                   | 9                   | 9                       | –                                   |
| Education Fund                    | 409,068                                   | –                   | –                   | (278,318)               | 130,750                             |
| Education Endowment Fund (Note 9) | 1,887,840                                 | 105,980             | –                   | –                       | 1,993,820                           |
| Exhibit Fund                      | 59,794                                    | –                   | 7,327               | –                       | 52,467                              |
| Front Entrance Renewal Fund       | 35,504                                    | 50,000              | 370,764             | 285,260                 | –                                   |
| Lecture Fund                      | 30,694                                    | 3,016               | –                   | (30,694)                | 3,016                               |
| Lionfish Project Fund             | (11,402)                                  | 40,704              | 26,929              | –                       | 2,373                               |
| Marine Species Recovery Fund      | (32)                                      | –                   | 29                  | 32                      | (29)                                |
| Moorings Fund                     | 29,679                                    | –                   | 16,131              | –                       | 13,548                              |
| Nonsuch Fund                      | 12,662                                    | 2,785               | 2,950               | –                       | 12,497                              |
| North Carolina University Fund    | (1,276)                                   | –                   | –                   | 1,276                   | –                                   |
| Project Nature Fund               | –   | 1,856               | –                   | –                       | 1,856                               |
| Publication Fund                  | 61,936                                    | 7,128               | 24,196              | –                       | 44,868                              |
| Reefwatch Fund                    | –   | 22,020              | 22,955              | –                       | (935)                               |
| Steinhoff Scholarship Fund        | 170,390                                   | 14,634              | 12,500              | 12,500                  | 185,024                             |
| Technology & Equipment Fund       | 14,360                                    | –                   | –                   | (14,360)                | –                                   |
| Trunk Island Fund                 | 1,441,881                                 | –                   | –                   | –                       | 1,441,881                           |
| Youth Fund                        | 3,949                                     | –                   | 1,303               | –                       | 2,646                               |
|                                   | 6,250,742                                 | 1,430,019           | 851,523             | 5,091                   | 6,834,329                           |
| General Fund – Unrestricted       | 355,658                                   | 1,555,595           | 1,553,138           | (5,091)                 | 353,024                             |
| <b>TOTAL FUNDS</b>                | <b>\$ 6,606,400</b>                       | <b>\$ 2,985,614</b> | <b>\$ 2,404,661</b> | <b>\$ –</b>             | <b>\$ 7,187,353</b>                 |

*The accompanying notes are an integral part of the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**

Year ended March 31, 2017  
*(expressed in Bermuda dollars)*

|                                   | 2016                                      |                     |                     |                         |                                     |
|-----------------------------------|---|---------------------|---------------------|-------------------------|-------------------------------------|
|                                   | Fund<br>Balances,<br>Beginning<br>of year | Revenues            | Expenditures        | Inter-fund<br>Transfers | Fund<br>Balances,<br>End of<br>year |
| <b>RESTRICTED FUNDS</b>           |   |                     |                     |                         |                                     |
| Animal Research Fund              | \$ 45,220                                 | \$ 24,450           | \$ 41,278           | \$ -                    | \$ 28,392                           |
| BAMZ Fund                         | 75,574                                    | 15,000              | 5,805               | -                       | 84,769                              |
| Capital Campaign (Note 12)        | 1,237,142                                 | 751,102             | 141,040             | -                       | 1,847,204                           |
| Conservation Research Fund        | 111,888                                   | 277,873             | 297,728             | 53,297                  | 145,330                             |
| Curator's Discretionary Fund      | -   | -                   | 36,199              | 36,199                  | -                                   |
| Education Fund                    | 592,139                                   | -                   | -                   | (183,071)               | 409,068                             |
| Education Endowment Fund (Note 9) | 1,789,838                                 | 14,931              | 100,000             | 183,071                 | 1,887,840                           |
| Eric Clee Environment Fund        | 53,297                                    | -                   | -                   | (53,297)                | -                                   |
| Exhibit Fund                      | 59,794                                    | -                   | -                   | -                       | 59,794                              |
| Front Entrance Renewal Fund       | 189,980                                   | 10,000              | 164,476             | -                       | 35,504                              |
| Lecture Fund                      | 30,694                                    | -                   | -                   | -                       | 30,694                              |
| Lionfish Project Fund             | (2,899)                                   | 24,300              | 32,803              | -                       | (11,402)                            |
| Marine Species Recovery Fund      | 7,941                                     | -                   | 7,973               | -                       | (32)                                |
| Moorings Fund                     | 31,232                                    | 14,250              | 15,803              | -                       | 29,679                              |
| Nonsuch Fund                      | 6,977                                     | 12,020              | 6,335               | -                       | 12,662                              |
| North Carolina University Fund    | (1,276)                                   | -                   | -                   | -                       | (1,276)                             |
| Publication Fund                  | 64,219                                    | 6,318               | 8,601               | -                       | 61,936                              |
| Steinhoff Scholarship Fund        | 213,390                                   | -                   | 11,342              | (31,658)                | 170,390                             |
| Technology & Equipment Fund       | 14,360                                    | -                   | -                   | -                       | 14,360                              |
| Trunk Island Fund                 | 1,441,881                                 | -                   | -                   | -                       | 1,441,881                           |
| Youth Fund                        | 3,949                                     | -                   | -                   | -                       | 3,949                               |
|                                   | <u>5,965,340</u>                          | <u>1,150,244</u>    | <u>869,383</u>      | <u>4,541</u>            | <u>6,250,742</u>                    |
| General Fund – Unrestricted       | 621,456                                   | 1,134,221           | 1,395,478           | (4,541)                 | 355,658                             |
| <b>TOTAL FUNDS</b>                | <u>\$ 6,586,796</u>                       | <u>\$ 2,284,465</u> | <u>\$ 2,264,861</u> | <u>\$ -</u>             | <u>\$ 6,606,400</u>                 |

*The accompanying notes are an integral part of the financial statements*

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

March 31, 2017

*(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 and the Steinhoff Scholarship Fund whose purpose is to provide long-term support for the Society’s educational programmes (Note 9). Restricted funds also include donated land and Capital Campaign donations related to the 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.

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.

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

March 31, 2017

*(Expressed in Bermuda dollars)*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Membership revenue is recognized when received. Annual memberships expire on December 31, each year.

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

Allocation of expenses

The Society's expenses are presented in the Statement of Operations on a functional basis. Certain expenses incurred are attributed to more than one function and are directly related to the output of the applicable function. These expenses are therefore considered direct programme expenses and not indirect allocated expenses. Direct programme expenses include certain salaries and benefits that are attributed to functions based on estimated time spent.

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, with cost being determined on the first-in, first-out basis.

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, 2017 and 2016, capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

|                             | 2017              | 2016              |
|-----------------------------|-------------------|-------------------|
| General Fund - Unrestricted | \$ 49,004         | \$ 122,997        |
| Capital Campaign Fund       | 72,228            | 35,000            |
| Front Entrance Renewal Fund | 370,764           | 164,476           |
|                             | <u>\$ 491,996</u> | <u>\$ 322,473</u> |

**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

During the year ended March 31, 2016, construction commenced on a new front entrance and gift shop at BAMZ. Capital expenditure of \$370,764 (2016 - \$164,476) was incurred during the year and is included as expenditure of the Front Entrance Renewal Fund. The Society has no outstanding contractual commitments as at March 31, 2017 (2016 - \$226,000 in relation to the new front entrance and gift shop).

During the year end March 31, 2016 the Society paid a capital deposit of \$35,000 for a new boat to support its education and conservation programs at Trunk Island, which is included in expenditures of the Capital Campaign Fund for the year ended March 31, 2016. The Society has no outstanding contractual commitments as at March 31, 2017 (2016 - \$60,296 in relation to the new boat).

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. The net change in fair value for unrestricted investments is 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 fair 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.

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

March 31, 2017

*(Expressed in Bermuda dollars)*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

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 makes 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.

4. INVESTMENTS

|   | March 31,<br>2017 | March 31,<br>2016 |
|---|-------------------|-------------------|
| Money market funds                          | \$ 62,041         | \$ 61,833         |
| Equity securities                           | 1,103,156         | 1,256,220         |
| Corporate bonds and fixed income securities | 2,377,184         | 2,332,625         |
| Alternative investments                     | 1,005,366         | 1,033,136         |
|   | \$ 4,547,747      | \$ 4,683,814      |
|   | \$ 4,547,747      | \$ 4,683,814      |

Certain of the Society's investments with a fair value of \$2,675,981 (2016: \$2,690,386) as at March 31, 2017 are secured against the loan payable (Note 7).

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 had capitalized the consideration and costs paid to date of \$793,598 of which \$600,000 was funded by a loan from UBS AG (Note 7). The remaining consideration of \$400,000 was 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 of which \$100,000 was paid during the year ended March 31, 2017 and \$200,000 is payable at the year-end date. The carrying value of land of \$1,864,098 comprises the original donated amount of \$670,500, consideration paid during the current and previous years of \$993,598 and the promissory note payable of \$200,000.

**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

6. DUE (TO) FROM FUND BALANCES

At March 31, 2017, the amount due from the General Fund to the Restricted Fund represents the net amounts owing for donations and investment income. Interfund amounts receivable bear no interest and are not governed by terms of repayment.

During the year ended March 31, 2017, the following inter-fund transfers as reflected in the Statement of Changes in Fund Balances were carried out to fund disbursements for activities and research of the related funds:

- (i) Transfer from Lecture Fund of \$30,694 to Conservation Research Fund of \$29,386, Marine Species Recovery of \$32, and North Carolina University Fund of \$1,276.
- (ii) Transfer from General Fund of \$297,769 to Front Entrance Renewal Fund of \$285,260, to Steinhoff Scholarship Fund of \$12,500, and to Curator's Discretionary Fund of \$9.
- (iii) Transfer from Education Fund to General Fund of \$278,318.
- (iv) Transfer from Technology & Equipment Fund to General Fund of \$14,360.

During the year ended March 31, 2016, the following inter-fund transfers as reflected in the Statement of Changes in Fund Balances were carried out to fund disbursements for activities and research of the related funds:

- (i) Transfer from Eric Clee Environment Fund to Conservation Research Fund of \$53,297.
- (ii) Transfer from General Fund to Curator's Discretionary Fund of \$36,199.
- (iii) Transfer from Education Fund to Education Endowment Fund of \$183,071.
- (iv) Transfer from Steinhoff Scholarship Fund to General Fund of \$31,658.

7. 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 2.86% (2016: 2.46%) per annum. The loan has as security certain investments in the Society's investment portfolio with a fair value of \$2,675,981 at March 31, 2017 (2016: \$2,690,386).

8. DONATIONS

Audit fees for the year ended March 31, 2017 are recorded at their fair value of \$19,250 (2016: \$18,870). The actual amount charged for the audit is \$3,850 (2016: \$3,770) with the difference of \$15,400 (2016: \$15,100) being recorded as a donation to the General Fund.



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

March 31, 2017

*(Expressed in Bermuda dollars)*

9. 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 programmes. 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 \$1,993,820 (2016: \$1,887,840) are recognized in the Education Endowment Fund.

10. 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 and investment balances. Management considers credit risk to be minimal.

Liquidity risk

The Society is dependent on major gifts and donations, membership dues, and government grants to maintain operational cash flows. The Society is exposed to liquidity risk mainly with respect to its loan payable (Note 7) and promissory note payable (Note 5).

**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

10. 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.

Changes in risk

There have been no changes in the Society's risk exposures from the 2016 fiscal year.

11. RELATED PARTY TRANSACTIONS

During the year, the Society paid \$12,000 (2016: \$12,000) as an honorarium to a member of the Executive Committee. This transaction was carried out in the normal course of operations and is recorded at the exchange value.

12. SUBSEQUENT EVENTS

Subsequent to year end-end, the Society made a total repayment of \$150,000 towards the loan with UBS AG, described in Note 7 to the financial statements.

13. CORRESPONDING AMOUNTS

In certain instances, 2016 fiscal year corresponding amounts have been reclassified to conform with the financial statement presentation adopted for the 2017 fiscal year.