

# **Bermuda Zoological Society**

**Financial Statements and  
Independent Auditors' Report**

**March 31, 2011**

## **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, 2011, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the following paragraphs, 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, 2011, the Society expensed capital asset purchases of \$794,408 (2010: \$245,180). 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 \$1,134,903 (2010: \$386,090) and net deficiency of revenues over expenditures for the year would be decreased by \$748,812 (2010: \$217,387).

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 paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2011 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 21, 2011

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
as at March 31, 2011  
*(expressed in Bermuda dollars)*

	2011			2010
	General Fund	Restricted Funds	Total	
<b>ASSETS</b>				
Cash and investments				
Cash float	\$ 7,800	\$ -	\$ 7,800	\$ 7,800
Current accounts	346,214	-	346,214	916,681
Time deposits	2,767,487	-	2,767,487	3,013,622
Investments – Classified as				
Available-for-sale (Note 4)	1,115,608	-	1,115,608	1,106,388
Restricted asset- Land	-	670,500	670,500	670,500
Due from General Fund	(3,583,312)	3,583,312	-	-
	653,797	4,253,812	4,907,609	5,714,991
Inventory	150,535	-	150,535	132,098
	\$ 804,332	\$ 4,253,812	\$ 5,058,144	\$ 5,847,089
<b>FUND BALANCES</b>				
Externally restricted (Note 2)	\$ -	\$ 670,500	\$ 670,500	\$ 670,500
Internally restricted (Note 2)	-	3,583,312	3,583,312	4,718,555
Unrestricted	787,741	-	787,741	425,887
Unrestricted gains on investments classified as available for sale	16,591	-	16,591	32,147
	\$ 804,332	\$ 4,253,812	\$ 5,058,144	\$ 5,847,089

*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, 2011  
*(expressed in Bermuda dollars)*

	General Fund	
	2011	2010
<b>REVENUES</b>		
Membership dues	\$ 413,420	\$ 415,666
Gift shop and wholesale	247,076	227,845
Non-designated donations (Note 5)	144,481	80,262
Investment income	11,004	14,555
	<b>815,981</b>	<b>738,328</b>
 <b>EXPENDITURES</b>		
Membership and development	575,252	545,597
Gift shop and wholesale	287,814	261,308
Professional fees (Note 5)	17,500	16,235
Bank charges	5,240	5,359
Executive	1,585	2,426
	<b>887,391</b>	<b>830,925</b>
 <b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (71,410)</b>	<b>\$ (92,597)</b>

*See accompanying notes to the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
year ended March 31, 2011  
*(expressed in Bermuda dollars)*

	2011				
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	Fund Balances, End of year
<b>RESTRICTED FUNDS</b>					
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	-	-	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
	<u>4,718,555</u>	<u>1,813,527</u>	<u>2,515,506</u>	<u>(433,264)</u>	<u>3,583,312</u>
GENERAL FUND	425,887	815,981	887,391	433,264	787,741
EXTERNALLY RESTRICTED	670,500	-	-	-	670,500
UNREALIZED GAIN (LOSS) ON INVESTMENT	32,147	(15,556)	-	-	16,591
<b>TOTAL</b>	<u>\$ 5,847,089</u>	<u>\$ 2,613,952</u>	<u>\$ 3,402,897</u>	<u>\$ -</u>	<u>\$ 5,058,144</u>

*See accompanying notes to the financial statements*

**BERMUDA ZOOLOGICAL SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
year ended March 31, 2011  
*(expressed in Bermuda dollars)*

	2010				Fund Balances, End of year
	Fund Balances, Beginning of year	Revenues	Expenditures	Inter-fund Transfers	
<b>RESTRICTED FUNDS</b>					
Animal Research Fund	\$ 25,944	\$ 985	\$ 194	\$ -	\$ 26,735
BAMZ Fund	-	15,000	5,264	46,604	56,340
Boat Fund	138,940	66,925	140,276	-	65,589
Cave Project Fund	2,029	-	-	-	2,029
Capital Campaign Fund	2,579,998	728,853	-	(528,166)	2,780,685
Concession Fund	43,281	12,210	7,751	(45,000)	2,740
Conservation Research Fund	115,986	448,154	466,581	-	97,559
Curator's Discretionary Fund	7,074	-	16,253	9,179	-
Development Fund	535,783	-	-	(35,783)	500,000
Education Fund	171,001	304,463	453,161	-	22,303
Education Equipment Fund	17,490	-	-	-	17,490
Employee Health Benefit Fund	100,000	-	31,909	60,000	128,091
Eric Clee Environment Fund	122,078	-	24,932	-	97,146
Exhibit Fund	189,225	-	129,431	-	59,794
Facility Rental Fund	26,608	19,750	3,890	(35,000)	7,468
Friends of Bermuda Aquarium Fund	-	23,750	455	-	23,295
Food and Agricultural Fund	-	10,000	2,468	-	7,532
Front Entrance Renewal Fund	112,039	-	-	100,000	212,039
Hospital Equipment Fund	240,144	-	68,807	-	171,337
Landscapes Fund	8,849	-	-	-	8,849
Lecture Fund	31,127	3,642	5,684	-	29,085
Life Support Fund	2,288	-	-	-	2,288
Marine Operations Fund	1,908	-	-	-	1,908
Marine Species Recovery Fund	20,480	82,313	80,556	-	22,237
Moorings Fund	65,695	9,500	18,891	-	56,304
Museum Fund	(428,166)	-	-	428,166	-
Nonsuch Fund	154	2,900	2,954	-	100
North Rock Divers Fund	2,166	-	-	-	2,166
Publication Fund	40,639	8,575	-	-	49,214
Reef Fund	23,904	685	7,113	-	17,476
Steinhoff Conservation Scholarship Fund	198,096	-	11,870	-	186,226
Seahorse Project Fund	6,162	-	-	-	6,162
Technology & Equipment Fund	34,613	-	3,107	-	31,506
Volunteer Fund	35,971	34,018	75,467	-	(5,478)
Youth Fund	8,907	23,750	317	-	32,340
	<u>4,480,413</u>	<u>1,795,473</u>	<u>1,557,331</u>	<u>-</u>	<u>4,718,555</u>
GENERAL FUND	518,484	477,020	569,617	-	425,887
EXTERNALLY RESTRICTED	670,500	-	-	-	670,500
UNREALIZED GAIN (LOSS)					
ON INVESTMENT	90,662	(58,515)	-	-	32,147
<b>TOTAL</b>	<u>\$ 5,760,059</u>	<u>\$ 2,213,978</u>	<u>\$ 2,126,948</u>	<u>\$ -</u>	<u>\$ 5,847,089</u>

*See accompanying notes to the financial statements*

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

March 31, 2011

*(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 and Zoo 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 the Aquarium.

2. RESTRICTED FUND METHOD

Fund accounting

The Society follows the restricted fund method of accounting.

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. 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:



**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 March 31, 2011  
*(expressed in Bermuda dollars)*

3. ACCOUNTING POLICIES (cont'd)

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.

Revenue from the shop is recognized at the time 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, capital asset purchases have been included as expenses in the Statement of Changes in Fund Balances as follows:

	2011	2010
Boat Fund	\$ 2,355	\$ -
Conservation Research Fund	5,386	24,126
Education Equipment Fund	920	1,826
Exhibit Fund	-	127,128
General Fund	348	575
Hospital Equipment Fund	108,067	68,649
Madagascar Fund	647,897	-
Mooring Fund	25,529	16,300
Nonsuch Fund	2,954	2,954
Technology Equipment Fund	289	3,047
Volunteer Fund	229	575
Youth Fund	434	-

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

March 31, 2011

*(expressed in Bermuda dollars)*

3. ACCOUNTING POLICIES (cont'd)

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.

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, 2012 and in future years.

**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 March 31, 2011  
*(expressed in Bermuda dollars)*

4. INVESTMENTS

	2011	2010
Money market funds	\$ 911,636	\$ 904,641
Listed shares (Cost: \$194,291; 2010 - \$169,600)	203,972	201,747
	<u>\$ 1,115,608</u>	<u>\$ 1,106,388</u>

5. DONATIONS

Audit fees for the year ended March 31, 2011 are recorded at their fair value of \$17,350 (2010: \$17,000). The actual amount charged for the audit is \$3,500 (2010: \$3,400) with the difference of \$13,850 (2010: \$13,600) being recorded as a non-designated donation to the general fund.

6. RELATED PARTIES

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 has its own Trustee and the net assets of the BZS EEF are not included in the Society's financial statements. During the year, an amount of \$100,000 (2010: \$100,000) was transferred from the BZS EEF to the Society and is included in revenues within the Education Fund. At March 31, 2011 the BZS EEF has an investment portfolio with a fair value of \$1,684,243 (2010: \$1,830,062) comprising equity securities, fixed income and alternative investments and cash.

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 the risk of credit risk to be minimal.

**BERMUDA ZOOLOGICAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2011  
*(expressed in Bermuda dollars)*

7. FINANCIAL INSTRUMENTS (cont'd)

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 are subject to interest rate risk as interest is earned at fluctuating market rates.

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.

9. COMMITMENTS

During the year-ended March 31, 2010, the Society entered into a contract for the design and building of a new Madagascar Exhibit. The total sum of the contract was \$529,265. As at March 31, 2010, \$46,360 of costs related to this contract had been paid out of the Madagascar Exhibit Fund and the remainder of the contract sum was paid during the year ended March 31, 2011. There were no significant outstanding contractual commitments as at March 31, 2011.

10. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.