

Financial Statements

Board of Management of the Toronto Zoo
December 31, 2006

AUDITORS' REPORT

To the Chairman and Members of the
Board of Management of the Toronto Zoo

We have audited the balance sheet of the **Board of Management of the Toronto Zoo** as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 23, 2007.

Ernst & Young LLP

Chartered Accountants

Board of Management of the Toronto Zoo

BALANCE SHEET

As at December 31

	2006	2005
	\$	\$
ASSETS		
Current		
Cash	3,348,653	1,600,751
Accounts receivable		
City of Toronto [note 1]	2,159,603	3,552,959
Toronto Zoo Foundation	4,095,244	3,162,034
Other	85,762	160,852
Inventories	378,694	413,474
Prepaid supplies	298,687	277,234
Total current assets	10,366,643	9,167,304
Capital assets, net [note 3]	402,204	255,148
Receivable from City of Toronto [note 4]	9,765,104	9,292,473
	20,533,951	18,714,925
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 14]	7,396,681	6,637,161
Deferred revenue [note 6]	1,651,412	1,261,218
Total current liabilities	9,048,093	7,898,379
Employee benefits liability [note 5]	9,765,104	9,292,473
Total liabilities	18,813,197	17,190,852
Contingencies [note 14]		
Net assets		
Invested in capital assets [note 7]	402,204	255,148
Internally restricted [note 8]	1,318,550	1,268,925
Unrestricted	—	—
Total net assets	1,720,754	1,524,073
	20,533,951	18,714,925

See accompanying notes

On behalf of the Board:


Chair


Director



Board of Management of the Toronto Zoo

STATEMENT OF OPERATIONS

Year ended December 31

	2006		2005
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		
REVENUE			
Funding from City of Toronto			
General appropriation	11,670,077	11,670,077	11,565,552
Capital works contributions	174,900	—	85,000
Funding from Toronto Zoo Foundation	3,023,598	3,004,342	2,733,676
Admission	10,147,500	10,017,364	9,741,500
Food services	4,250,634	4,553,431	4,531,464
Gift shop operations	2,854,250	2,569,227	2,459,519
Parking	1,978,000	1,999,809	1,955,319
Rides and rentals	1,205,000	1,039,685	803,558
Education programs	777,160	676,635	655,773
Other revenue and recoveries	669,969	614,374	648,231
Interest	—	49,625	30,801
	36,751,088	36,194,569	35,210,393
EXPENSES [note 5]			
Operations and administration [note 1]	20,734,837	20,167,304	19,523,206
Conservation, education and research	5,062,463	5,601,520	4,917,632
Marketing and communications	3,786,365	4,183,731	3,583,403
Food services	3,471,401	3,517,525	3,711,494
Gift shop operations	2,048,934	1,943,064	1,793,221
General management	1,647,088	1,651,346	1,563,246
Amortization of capital assets	—	119,067	93,128
	36,751,088	37,183,557	35,185,330
Excess (deficiency) of revenue over expenses before the following	—	(988,988)	25,063
Transfer of excess funding to City of Toronto [notes 1 and 11]	—	—	(408,383)
Additional funding from City of Toronto [notes 1 and 11]	—	713,038	—
Transfer from City of Toronto [note 4]	—	472,631	669,269
Excess of revenue over expenses for the year	—	196,681	285,949

See accompanying notes



Board of Management of the Toronto Zoo

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2006			
	Invested in capital assets \$ [note 7]	Internally restricted \$ [note 8]	Unrestricted \$	Total \$
Net assets, beginning of year	255,148	1,268,925	—	1,524,073
Excess of revenue over expenses for the year	—	—	196,681	196,681
Interest on internally restricted funds [note 8]	—	49,625	(49,625)	—
Change in net assets invested in capital assets [note 7]	147,056	—	(147,056)	—
Net assets, end of year	402,204	1,318,550	—	1,720,754

	2005			
	Invested in capital assets \$ [note 7]	Internally restricted \$ [note 8]	Unrestricted \$	Total \$
Net assets, beginning of year	—	1,238,124	—	1,238,124
Excess of revenue over expenses for the year	—	—	285,949	285,949
Interest on internally restricted funds [note 8]	—	30,801	(30,801)	—
Change in net assets invested in capital assets [note 7]	255,148	—	(255,148)	—
Net assets, end of year	255,148	1,268,925	—	1,524,073

See accompanying notes



Board of Management of the Toronto Zoo

STATEMENT OF CASH FLOWS

Year ended December 31

	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	196,681	285,949
Add item not involving cash		
Amortization of capital assets	119,067	93,128
	315,748	379,077
Changes in non-cash working capital balances related to operations		
Accounts receivable - City of Toronto	1,393,356	(2,085,969)
Accounts receivable - Toronto Zoo Foundation	(933,210)	610,882
Accounts receivable - Other	75,090	(63,286)
Inventories and prepaid supplies	13,327	129,215
Accounts payable and accrued liabilities	759,520	(1,485,773)
Deferred revenue	390,194	(9,400)
Increase in employee benefits liability	472,631	669,269
Cash provided by (used in) operating activities	2,486,656	(1,855,985)
INVESTING AND FINANCING ACTIVITIES		
Increase in long-term receivable from City of Toronto	(472,631)	(669,269)
Purchase of capital assets	(266,123)	(348,276)
Cash used in investing and financing activities	(738,754)	(1,017,545)
Net increase (decrease) in cash during the year	1,747,902	(2,873,530)
Cash, beginning of year	1,600,751	4,474,281
Cash, end of year	3,348,653	1,600,751

See accompanying notes



Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. OPERATIONS AND RELATIONSHIP WITH THE CITY OF TORONTO AND THE TORONTO ZOO FOUNDATION

The Board of Management of the Toronto Zoo [the "Board"] is a local board established by the City of Toronto [the "City"]. The Board operates, manages and maintains the zoological gardens and related facilities known as the Toronto Zoo [the "Zoo"] under the terms of an agreement between the Board and the City. As defined within the City of Toronto Act, 1997, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs.

The live collection of the Zoo is the property of the City and, accordingly, is not recorded in the accounts of the Board. The Board trades and sells specimens surplus to its needs, recording animal trades at market value. All these transactions are recorded through the Animal Transaction Reserve Fund held by the City [note 9]. In addition, the City maintains an Endangered Species Reserve Fund for the Board [note 10].

The Board has an agreement with the City which established the "Zoo Stabilization Reserve Fund" for the purpose of investing in revenue generating activities, preparing for special events in advance of the budget year, and offsetting revenue shortfalls. The Zoo Stabilization Reserve Fund is also recorded in the accounts of the City [note 11]. For years beginning after December 31, 2004 any excess funds are to be transferred to the City unless approved otherwise as a transfer to the Zoo Stabilization Reserve Fund.

Major capital facilities are the property of the City. Consequently, major capital facilities are recorded in the accounts of the City and not in these financial statements [note 3]. In addition, the Board contributes to the City's vehicle reserve and expenses these contributions as made. Contributions for the year amounted to \$333,000 [2005 - \$333,000] and are included within operations and administration on the statement of operations.

The Board is a registered charity and, as such, is not subject to income taxes.

The Toronto Zoo Foundation [the "Foundation"] is a separate legal entity, which operates on the Zoo site. The accounts of the Foundation are not included in the accompanying financial statements [note 12].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Board.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The significant accounting policies are summarized below:

Revenue recognition

The Board follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized.

Inventories

Inventories consist of gift shops' merchandise and are recorded at the lower of cost, recorded on a first-in, first-out basis, and net realizable value.

Capital assets

Major capital facilities are recorded in the accounts of the City. Capital assets are purchased by the City and are funded by the City's capital works program and are, therefore, not recorded as assets in the Board's accounts.

Other capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Other equipment	5 - 10 years
Furniture	10 years

Contributed materials and services

Agreements are entered into with corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to the Zoo. In return, consideration is provided in a number of diverse ways, including specific rights to events and promotional activities or advertising recognition. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.



Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Employee related costs

The Board has adopted the following policies with respect to employee benefit plans:

- the Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- the costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future compensation payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, and expected health care costs;
- past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment;
- employee future benefit liabilities are discounted using current interest rates on long-term bonds;
- net actuarial gains and losses related to compensated absences are amortized over the average expected period during which benefits will be paid; and
- for other benefit plans, the excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized on a straight-line basis over the average remaining service period of active employees, which is 14 years.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

3. CAPITAL ASSETS

The live collection of the Zoo and the major capital facilities are the property of the City. The City, through its capital works program, financed approximately \$3,992,008 [2005 - \$3,536,104] of capital improvements to the Zoo during the year. Since the facilities are not an asset of the Board, these amounts have not been recorded in these financial statements.

Other capital assets consist of the following:

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
	<u>\$</u>	<u>amortization</u>	<u>book</u>	<u>book</u>
		<u>\$</u>	<u>value</u>	<u>value</u>
			<u>\$</u>	<u>\$</u>
Computer equipment	45,951	31,923	14,028	18,495
Other equipment	682,237	321,432	360,805	230,752
Furniture	31,141	3,770	27,371	5,901
	<u>759,329</u>	<u>357,125</u>	<u>402,204</u>	<u>255,148</u>

The increase in net book value of capital assets is due to the following:

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	255,148	—
Purchase of capital assets internally funded	266,123	348,276
Amortization of capital assets	(119,067)	(93,128)
Balance, end of year	<u>402,204</u>	<u>255,148</u>

4. RECEIVABLE FROM CITY OF TORONTO

The Board has recorded a non-interest bearing receivable in connection with the expected recoveries of employee benefits costs [note 5] from the City, since the City is ultimately responsible for any deficit the Board incurs.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

5. EMPLOYEE BENEFITS

The Board has a number of defined benefit plans providing pension and other retirement and post-employment benefits including health, dental, life insurance and long-term disability benefits to certain employees. Information about the Board's defined benefit plans, other than the multi-employer defined benefit plan noted below, in aggregate, is as follows:

	2006	2005
	\$	\$
Accrued benefit obligations		
Sick leave	1,816,985	1,693,060
Other retirement and post-employment benefits	7,521,092	7,305,018
Vacation pay	1,040,250	968,950
Total accrued benefit obligations	10,378,327	9,967,028
Less unamortized actuarial loss	613,223	674,555
Total employee benefits liability [note 4]	9,765,104	9,292,473

The continuity of the Board's accrued benefit obligations is as follows:

	2006	2005
	\$	\$
Balance, beginning of year	9,967,028	9,359,091
Current service cost	653,356	608,462
Interest cost	543,939	509,695
Increase in vacation pay	71,300	38,950
Expected benefits paid	(579,152)	(549,170)
Actuarial gain	(278,144)	—
Balance, end of year	10,378,327	9,967,028

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Board's employment. The liability for the accumulated sick leave days represents the extent to which the eligible employees have vested and could be taken in cash by them on termination.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The total expenses related to these benefits include the following components:

	2006	2005
	\$	\$
Current service cost	653,356	608,462
Interest cost	543,939	509,695
Amortization of actuarial loss	61,332	61,332
	1,258,627	1,179,489
Increase in vacation pay	71,300	38,950
	1,329,927	1,218,439

For purposes of the financial statement presentation, these expenses are included in the actual numbers within the statement of operations. These expenses are not included in the budget numbers as they are not part of the financial planning process with the City, and as such, they result in a deficiency of revenue over expenses..

Cash payments made during the year are as follows:

	2006	2005
	\$	\$
Sick leave	31,946	59,320
Other retirement and post-employment benefits	140,743	143,951
	172,689	203,271

The benefit plans, as noted above, are all unfunded; however, the Board participates in reserve funds established by the City. The amounts contributed to these reserve funds during the year were \$1,390,891 [2005 - \$1,375,450] and are included as an expense in the statement of operations.

Due to the complexities in valuing the liabilities of the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2006. The accrued benefit obligation as at December 31, 2006 is based on an extrapolation of the 2002 valuation. The next actuarial valuation is scheduled to be completed as at December 31, 2006 for the Board's 2007 year end.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations and benefit costs are as follows:

	2006	2005
	%	%
Discount rate for accrued benefit obligations and benefit costs		
- post-retirement sick pay	6.0	6.0
- post-employment benefits	5.5	5.5
Health care inflation - hospital, dental and other	4.5	4.5
Health care inflation - drugs	11.0	11.5
Rate of compensation increase	3.0	3.0

The drug cost rate is assumed to decrease from 11.5% gradually to 5.5% over ten years and remain at that level thereafter.

In addition to the above noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund ["OMERS"], which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total employer contributions for the year ended December 31, 2006 amounted to \$971,781 [2005 - \$819,015].

6. DEFERRED REVENUE

Deferred revenue includes the balance of funds which have been received from the Foundation for specific operating projects which the Board has not yet undertaken or expended.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

7. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are represented by:

	2006	2005
	\$	\$
Capital assets, net	402,204	255,148

The change in net assets invested in capital assets is calculated as follows:

	2006	2005
	\$	\$
Purchase of capital assets internally funded	266,123	348,276
Less amortization of capital assets	119,067	93,128
Change in net assets invested in capital assets	147,056	255,148

8. INTERNALLY RESTRICTED FUNDS

The Board has internally restricted \$1,318,550 [2005 - \$1,268,925] for the Ride & Revenue Development project, consisting of insurance proceeds, including interest earned thereon, from the monorail property damage claim, for anticipated capital improvements.



Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

9. ANIMAL TRANSACTION RESERVE FUND

The Animal Transaction Reserve Fund is a fund of the City and is not recorded in these financial statements. The purpose of the Animal Transaction Reserve Fund is to accumulate all funds earned from animal trading activity which are available to the Zoo to be used to finance any net cost of animal trading activity. Details of the Animal Transaction Reserve Fund are as follows:

	2006	2005
	\$	\$
Balance, beginning of year	62,071	79,555
Revenue		
Revenue from animals sold	8,940	2,815
Transfer from City of Toronto	400,000	—
Interest earned	22,111	13,615
Expenses		
Animals purchased	(94,649)	(31,570)
Other revenues (expenses)	230	(2,344)
Balance, end of year	398,703	62,071

10. ENDANGERED SPECIES RESERVE FUND

The Endangered Species Reserve Fund is a fund of the City and is not recorded in these financial statements. The Endangered Species Reserve Fund was established for the purpose of funding conservation, education and research projects for the preservation of endangered species. Details of the Endangered Species Reserve Fund are as follows:

	2006	2005
	\$	\$
Balance, beginning of year	758,414	758,972
Revenue		
Interest earned	62,616	47,115
Donations, grants and wishing wells	25,885	27,233
Expenses		
Services and rentals	(68,250)	(55,690)
Materials and supplies	(3,182)	(7,986)
Salaries and wages	(26,938)	(11,230)
Balance, end of year	748,545	758,414

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

11. ZOO STABILIZATION RESERVE FUND

The Zoo Stabilization Reserve Fund is a fund of the City and is not recorded in these financial statements. The City established the Zoo Stabilization Reserve Fund for the purpose of investing in revenue generating activities, preparing for special events in advance of the budget year, and offsetting revenue shortfalls with the objective of reducing the Zoo's reliance on the City's tax levy. Details of the Zoo Stabilization Reserve Fund are as follows:

	2006	2005
	\$	\$
Balance, beginning of year	164,672	157,151
Transfer from City of Toronto	136,000	—
Interest earned	11,749	7,521
Balance, end of year	312,421	164,672

During 2006, City Council authorized the transfer of \$136,000 to the Zoo Stabilization Reserve Fund. The Board has approved that the balance in this fund is to be used to fund several new exhibit openings in 2007.

During the year, the Zoo had a deficiency of revenue over expenses of \$713,038 [2005 - excess of revenue over expenses of \$408,383]. The 2006 deficiency will be absorbed by the City [2005 - excess transferred back to the City].

12. TORONTO ZOO FOUNDATION

Although they are two independent organizations, the Board has an economic interest in the Foundation. The Foundation's primary functions are fundraising and providing financial support to the Board for its conservation, education, exhibition and research activities. The Foundation provides funds for various other capital projects and Zoo facilities. The funding of these projects and facilities is subject to approval by the Foundation.

Effective January 1, 1999, under a three-year agreement with the Foundation, the Board:

- [a] operates the Foundation's membership program on behalf of the Foundation, on a cost recovery basis totalling \$698,095 [2005 - \$570,756]. Decisions on membership categories, voting privileges and fees are made by the Foundation; and
- [b] provides office space and certain administrative services including payroll, accounting, personnel and computer services to the Foundation at no cost.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The agreement expired December 31, 2001. The Board and the Foundation are currently in negotiations for a new agreement. Until such time as a new agreement is finalized, the Board and the Foundation are continuing to operate under the terms of the previous agreement.

The Foundation has net assets which consist of the following:

	2006	2005
	\$	\$
Endowment fund		
Internally restricted	2,376,169	2,245,351
Externally restricted	692,161	598,053
Restricted fund	2,778,178	2,234,687
Unrestricted fund	3,162,766	2,758,189
	9,009,274	7,836,280

13. CAPITAL EXPENDITURES COMMITMENT

As at December 31, 2006, the Board was contractually committed for \$3,453,545 [2005 - \$3,838,595] in capital expenditures.

14. CONTINGENCIES

In the normal course of its operations, the Board is subject to various litigations and claims. Where a reasonable estimate of amounts can be made, accruals are made by management. While the ultimate disposition of these matters is not determinable at this time, management believes they will not have a material impact on the Board's future financial position.

15. FINANCIAL INSTRUMENTS

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted. It is not possible to determine the fair value of the long-term receivable from the City since there are no fixed terms of repayment.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 financial statements.

ERNST & YOUNG LLP

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