

Financial Statements

**Board of Management of the Toronto Zoo**

December 31, 2007

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## AUDITORS' REPORT

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To the 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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thornhill, Canada,  
March 7, 2008.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

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## Board of Management of the Toronto Zoo

### BALANCE SHEET

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As at December 31

	2007	2006
	\$	\$
		<i>[restated - note 16]</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash	9,570,624	3,348,653
Accounts receivable		
City of Toronto <i>[notes 4 and 16]</i>	3,326,247	2,015,345
Toronto Zoo Foundation <i>[note 12]</i>	—	4,095,244
Other	209,509	85,762
Inventories	354,862	378,694
Prepaid supplies	304,931	298,687
<b>Total current assets</b>	<b>13,766,173</b>	<b>10,222,385</b>
Capital assets, net <i>[note 3]</i>	775,679	402,204
Receivable from City of Toronto <i>[note 4[c]]</i>	9,225,029	9,765,104
	<b>23,766,881</b>	<b>20,389,693</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Other <i>[notes 5, 14 and 16]</i>	10,499,802	7,252,423
Toronto Zoo Foundation <i>[note 12]</i>	48,698	—
Deferred revenue <i>[note 6]</i>	1,843,076	1,651,412
<b>Total current liabilities</b>	<b>12,391,576</b>	<b>8,903,835</b>
Employee benefits liability <i>[note 5]</i>	9,225,029	9,765,104
<b>Total liabilities</b>	<b>21,616,605</b>	<b>18,668,939</b>
Commitments and contingencies <i>[notes 13 and 14]</i>		
<b>Net assets</b>		
Invested in capital assets <i>[note 7]</i>	775,679	402,204
Internally restricted <i>[note 8]</i>	1,374,597	1,318,550
Unrestricted	—	—
<b>Total net assets</b>	<b>2,150,276</b>	<b>1,720,754</b>
	<b>23,766,881</b>	<b>20,389,693</b>

See accompanying notes

On behalf of the Board:



Chair



Director



## Board of Management of the Toronto Zoo

### STATEMENT OF OPERATIONS

Year ended December 31

	2007		2006
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		<i>[restated - note 16]</i>
<b>REVENUE</b>			
Funding from City of Toronto			
General appropriation	11,544,432	11,544,432	11,670,077
Capital works contributions	174,900	105,737	—
Funding from Toronto Zoo Foundation	3,185,543	3,247,244	3,004,342
Admission	12,155,700	12,493,286	10,017,364
Food services	4,250,634	5,973,800	4,553,431
Gift shop operations	2,854,750	3,073,648	2,569,227
Parking	1,978,000	2,411,170	1,999,809
Rides and rentals	1,201,000	1,246,399	1,039,685
Education programs	796,456	727,989	676,635
Other revenue and recoveries	624,813	714,233	614,374
Interest	—	56,047	49,625
	<b>38,766,228</b>	<b>41,593,985</b>	<b>36,194,569</b>
<b>EXPENSES [note 5]</b>			
Operations and administration [note 1]	21,505,166	21,636,752	19,559,906
Conservation, education and research	5,188,598	5,254,053	5,453,946
Marketing and communications	4,853,027	4,997,071	4,129,025
Food services	3,437,811	4,386,993	3,517,525
Gift shop operations	2,103,216	2,140,482	1,943,064
General management	1,678,410	1,832,823	1,603,727
Amortization of capital assets	—	186,017	119,067
	<b>38,766,228</b>	<b>40,434,191</b>	<b>36,326,260</b>
Excess (deficiency) of revenue over expenses before the following	—	1,159,794	(131,691)
Transfer of excess funding to City of Toronto [notes 1, 4[b] and 16]	—	(190,197)	(144,259)
Transfer (to) from City of Toronto related to change in employee benefit liability [note 4[c]]	—	(540,075)	472,631
<b>Excess of revenue over expenses for the year</b>	<b>—</b>	<b>429,522</b>	<b>196,681</b>

See accompanying notes



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**Board of Management of the Toronto Zoo****STATEMENT OF CHANGES IN NET ASSETS**

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Year ended December 31

	2007			
	<b>Invested in capital assets</b>	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>Total</b>
	\$	\$	\$	\$
	<i>[note 7]</i>	<i>[note 8]</i>		
<b>Net assets, beginning of year</b>	<b>402,204</b>	<b>1,318,550</b>	—	<b>1,720,754</b>
Excess of revenue over expenses for the year	—	—	<b>429,522</b>	<b>429,522</b>
Interest on internally restricted funds <i>[note 8]</i>	—	<b>56,047</b>	<b>(56,047)</b>	—
Change in net assets invested in capital assets <i>[note 7]</i>	<b>373,475</b>	—	<b>(373,475)</b>	—
<b>Net assets, end of year</b>	<b>775,679</b>	<b>1,374,597</b>	—	<b>2,150,276</b>

  

	2006			
	<b>Invested in capital assets</b>	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>Total</b>
	\$	\$	\$	\$
	<i>[note 7]</i>	<i>[note 8]</i>		
<b>Net assets, beginning of year</b>	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 <i>[note 8]</i>	—	49,625	(49,625)	—
Change in net assets invested in capital assets <i>[note 7]</i>	147,056	—	(147,056)	—
<b>Net assets, end of year</b>	<b>402,204</b>	<b>1,318,550</b>	—	<b>1,720,754</b>

*See accompanying notes*

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**Board of Management of the Toronto Zoo****STATEMENT OF CASH FLOWS**

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Year ended December 31

	2007	2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	429,522	196,681
Add item not involving cash		
Amortization of capital assets	186,017	119,067
	<u>615,539</u>	<u>315,748</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable		
City of Toronto	(1,310,902)	1,393,356
Toronto Zoo Foundation	4,095,244	(933,210)
Other	(123,747)	75,090
Inventories	23,832	34,780
Prepaid supplies	(6,244)	(21,453)
Accounts payable and accrued liabilities		
Other	3,247,379	759,520
Toronto Zoo Foundation	48,698	—
Deferred revenue	191,664	390,194
Net change in employee benefits liability	(540,075)	472,631
<b>Cash provided by operating activities</b>	<u>6,241,388</u>	<u>2,486,656</u>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Change in long-term receivable from City of Toronto	540,075	(472,631)
Purchase of capital assets	(559,492)	(266,123)
<b>Cash used in investing and financing activities</b>	<u>(19,417)</u>	<u>(738,754)</u>
<b>Net increase in cash during the year</b>	<b>6,221,971</b>	<b>1,747,902</b>
Cash, beginning of year	<u>3,348,653</u>	<u>1,600,751</u>
<b>Cash, end of year</b>	<u>9,570,624</u>	<u>3,348,653</u>

*See accompanying notes*

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**Board of Management of the Toronto Zoo**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

**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 [note 4[b]].

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 City established the "Zoo Stabilization Reserve Fund" in 1996 for the purpose of investing in revenue generating activities of the Board, 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].

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 and insurance reserve and expenses these contributions as made. Contributions for the year amounted to \$333,000 [2006 - \$333,000] for the vehicle reserve and \$156,731 [2006 - \$151,444] for the insurance reserve, 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.



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**Board of Management of the Toronto Zoo**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

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. Revenues from admissions and other related services are recognized at point of sale.

**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 and animal structures	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.





**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

**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 at the time of the actuarial gain (loss).

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

**Derivative financial instruments**

The Board utilizes derivative financial instruments in the management of its purchase of electricity. The Board's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Derivative contracts entered into by the City in connection with the purchase of electricity, to which the Board is a party, are not designated to be in a hedging relationship and are recorded at their fair value as an asset or a liability based on quoted market prices or dealer quotes with changes in fair value, if any, recorded in operations and maintenance.

**New and future accounting policy changes**

Effective January 1, 2007, the Board adopted the recommendations of CICA 3855: *Financial Instruments - Recognition and Measurement* and CICA 3861: *Financial Instruments: Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As permitted by CICA 3855, the Board's financial assets and liabilities continue to be presented at amortized cost which approximates fair value. Therefore, the adoption of these recommendations did not have a significant impact on the financial statements.

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The CICA has issued a new accounting standard, CICA 3031: *Inventories*, which replaces CICA 3030: *Inventories*. The main features of CICA 3031 provide additional guidance with respect to measurement of inventories.

These accounting standards, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements, except for inventories, the impact of which has not yet been determined.

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**Board of Management of the Toronto Zoo**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

**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 \$6,433,271 [2006 - \$3,992,008] 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.

Capital assets consist of the following:

	<b>2007</b>		<b>2006</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
	\$	\$	\$	\$
Computer equipment	55,453	44,202	11,251	14,028
Other equipment and animal structures	1,226,507	491,485	735,022	360,805
Furniture	36,862	7,456	29,406	27,371
	<b>1,318,822</b>	<b>543,143</b>	<b>775,679</b>	402,204

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

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Balance, beginning of year</b>	<b>402,204</b>	255,148
Purchase of capital assets internally funded	<b>559,492</b>	266,123
Amortization of capital assets	<b>(186,017)</b>	(119,067)
<b>Balance, end of year</b>	<b>775,679</b>	402,204

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## Board of Management of the Toronto Zoo

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2007

#### 4. RECEIVABLE FROM CITY OF TORONTO

- [a] In the normal course of operations, the Board incurs costs for various expenses payable to the City such as hydro, legal, and other administrative costs. Transactions between the City and the Board are made on normal trade terms consistent with unrelated entities. In addition, the Board manages on behalf of the City the capital program for the Zoo. As a result of this, the Board will incur capital expenses that are recoverable from the City and this comprises a large component of the year-end receivable with the City which is offset by the net surpluses payable back to the City [note 4[b]] and trade payables outstanding with the City as at year end.
- [b] As part of the terms of the agreement between the Board and the City, any operating excess or deficiency is to be transferred to or recovered from the City [note 1]. These amounts are included in accounts receivable from the City and the changes during the year are as follows:

	2007	2006
	\$	\$
		<i>[restated- note 16]</i>
<b>Due from (to) City of Toronto related to operating (excess) deficiency, beginning of year</b>	<b>(144,259)</b>	954,611
Payment of 2005, 2004 and 2003 deficits	—	(954,611)
Excess funding transferred to City of Toronto	<b>(190,197)</b>	(144,259)
<b>Due to City of Toronto related to operating excess, end of year</b>	<b>(334,456)</b>	(144,259)

- [c] 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. It is not possible to determine the fair value of this receivable as there are no fixed terms of repayment.

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## Board of Management of the Toronto Zoo

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2007

#### 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:

	2007	2006
	\$	\$
<b>Accrued benefit obligations</b>		
Sick leave	1,329,502	1,816,985
Other retirement and post-employment benefits	7,197,758	7,521,092
Vacation pay	—	1,040,250
Total accrued benefit obligations	<u>8,527,260</u>	<u>10,378,327</u>
Less unamortized actuarial loss (gain)	(697,769)	613,223
<b>Total employee benefits liability [note 4[c]]</b>	<u>9,225,029</u>	<u>9,765,104</u>

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

	2007	2006
	\$	\$
<b>Balance, beginning of year</b>	10,378,327	9,967,028
Current service cost	568,399	653,356
Interest cost	418,507	543,939
Increase in vacation pay	—	71,300
Prior year's vacation pay accrual transferred to accounts payable and accrued liabilities	(1,040,250)	—
Expected benefits paid	(723,360)	(579,152)
Actuarial gain	(1,074,363)	(278,144)
<b>Balance, end of year</b>	<u>8,527,260</u>	<u>10,378,327</u>

As at December 31, 2007, by direction from the City, the Board now classifies vacation pay within accounts payable and accrued liabilities and not within long-term employee benefits payable.

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.

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**Board of Management of the Toronto Zoo**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

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

	<b>2007</b>	<b>2006</b>
	\$	\$
Current service cost	<b>568,399</b>	653,356
Interest cost	<b>418,507</b>	543,939
Amortization of actuarial loss (gain)	<b>(44,538)</b>	61,332
	<b>942,368</b>	1,258,627
Increase in vacation pay	—	71,300
	<b>942,368</b>	1,329,927

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 an excess (deficiency) of revenue over expenses from budget.

Cash payments made during the year are as follows:

	<b>2007</b>	<b>2006</b>
	\$	\$
Sick leave	<b>103,950</b>	31,946
Other retirement and post-employment benefits	<b>139,378</b>	140,743
	<b>243,328</b>	172,689

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 \$1,449,595 [2006 - \$1,390,891] 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, 2007, is based on an extrapolation of the 2006 valuation. The next actuarial valuation is scheduled to be completed as of December 31, 2009 for the Board's 2010 year end.

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**Board of Management of the Toronto Zoo****NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

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

	<b>2007</b>	<b>2006</b>
	%	%
Discount rate for accrued benefit obligations		
Sick leave	<b>5.0</b>	6.0
Other retirement and post-employment benefits	<b>4.9</b>	5.5
Discount rate for accrued benefit costs		
Sick leave	<b>6.0</b>	6.0
Other retirement and post-employment benefits	<b>5.5</b>	5.5
Health care inflation		
Hospital, dental and other	<b>4.6</b>	4.5
Drugs	<b>7.6</b>	11.0
Rate of compensation increase	<b>3.0</b>	3.0

The drug cost rate is assumed to decrease from 7.6% gradually to 4.5% 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, 2007, amounted to \$1,023,618 [2006 - \$971,781].

**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 expended.

**7. NET ASSETS INVESTED IN CAPITAL ASSETS**

Net assets invested in capital assets are represented by:

	<b>2007</b>	<b>2006</b>
	\$	\$
Capital assets, net	<b>775,679</b>	402,204



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## Board of Management of the Toronto Zoo

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2007

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

	2007	2006
	\$	\$
Purchase of capital assets internally funded	559,492	266,123
Less amortization of capital assets	186,017	119,067
<b>Change in net assets invested in capital assets</b>	<b>373,475</b>	<b>147,056</b>

#### 8. INTERNALLY RESTRICTED FUND

The Board has internally restricted \$1,374,597 [2006 - \$1,318,550] for the Ride & Revenue Development project, consisting of insurance proceeds, including interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

#### 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:

	2007	2006
	\$	\$
<b>Balance, beginning of year</b>	<b>398,703</b>	62,071
Revenue		
Revenue from animals sold	11,295	8,940
Transfer from City of Toronto	—	400,000
Interest earned	36,189	22,111
Expenses		
Animals purchased	(53,214)	(94,649)
Other revenues (expenses)	(1,061)	230
<b>Balance, end of year</b>	<b>391,912</b>	<b>398,703</b>



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## Board of Management of the Toronto Zoo

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2007

#### 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:

	2007 \$	2006 \$
<b>Balance, beginning of year</b>	<b>748,545</b>	758,414
Revenue		
Interest earned	<b>66,439</b>	62,616
Donations, grants and wishing wells	<b>36,219</b>	25,885
Expenses		
Services and rentals	<b>(63,030)</b>	(68,250)
Materials and supplies	<b>(1,120)</b>	(3,182)
Salaries and wages	<b>(25,580)</b>	(26,938)
<b>Balance, end of year</b>	<b>761,473</b>	748,545

#### 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. 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. Details of the Zoo Stabilization Reserve Fund are as follows:

	2007 \$	2006 \$
<b>Balance, beginning of year</b>	<b>312,421</b>	164,672
Transfer (to) from City of Toronto	<b>(330,000)</b>	136,000
Interest earned	<b>17,579</b>	11,749
<b>Balance, end of year</b>	<b>—</b>	312,421

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**Board of Management of the Toronto Zoo**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

During 2006, City Council authorized the transfer of \$136,000 to the Zoo Stabilization Reserve Fund. In 2006, the Board approved that the balance in this fund would be used to fund several new exhibit openings in 2007. The transfer to the City of \$330,000 is the amount transferred to the capital fund of the City for Zoo expenditures in 2007 related to new exhibit openings.

**12. TORONTO ZOO FOUNDATION**

Although they are two independent organizations, the Board has an economic interest in the Foundation. The Foundation is dedicated to the support of the Zoo in its efforts to conserve species diversity through conservation, education, and research. The Foundation also provides funds for various other capital projects and Zoo facilities.

Amounts due to/from the Foundation are based on normal trade terms consistent with unrelated entities.

Effective December 5, 2007, the Board entered into a new five-year agreement with the Foundation. The agreement also has a five-year renewal option at the end of the initial five years. The primary features of the agreement are:

- [a] The Foundation will focus on its primary functions of fundraising and providing financial support for the Zoo in its efforts to conserve species diversity through conservation, education and research.
- [b] The Foundation will fund various other capital projects and Zoo facilities.

The Board operates the Foundation's membership program on behalf of the Foundation, on a cost recovery basis totalling \$663,797 [2006 - \$698,095]. Decisions on membership categories, voting privileges and fees are made by the Foundation.

The Board provides office space and certain administrative services including payroll, accounting, personnel and computer services to the Foundation at no cost.



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## Board of Management of the Toronto Zoo

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2007

The Foundation has net assets which consist of the following:

	2007	2006
	\$	\$
Endowment fund		
Internally restricted	2,911,541	2,376,169
Externally restricted	694,161	692,161
Restricted fund	3,262,764	2,778,178
Unrestricted fund	3,960,852	3,162,766
	<u>10,829,318</u>	<u>9,009,274</u>

#### 13. CAPITAL EXPENDITURES COMMITMENT

As at December 31, 2007, the Board was contractually committed for \$12,662,168 [2006 - \$3,453,545] in capital expenditures.

#### 14. CONTINGENCIES

In the normal course of its operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable.

#### 15. FINANCIAL INSTRUMENTS

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale price of electricity by entering into energy related purchase and sales contracts, through an agreement with the City that fixes a portion the wholesale price over the term of the contract. All contracts entered into in 2007 expired on December 31, 2007.

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2007

**16. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been restated from statements previously presented to correct an error in the accounting for employee benefit expenses in previous years. The impact of this error was to overstate 2006 expenses by \$857,297 and expenses of previous years by \$954,611. This overstatement of expenses also caused an overstatement of the recovery from the City in the same amount and therefore had no impact on the excess of revenue over expenses in the statement of operations. Since the City had paid the \$954,611 overstatement of the recovery related to years prior to 2006, the correction of the error has been reflected as a reduction of accounts receivable from the City as at December 31, 2006 on the balance sheet. The 2006 overstatement of the recovery changed the recovery originally recorded in the statement of operations of \$713,038 to a transfer of excess funding to City of Toronto of \$144,259. This overstatement reduced the accounts receivable from the City on the balance sheet by \$857,297 which included a reclassification of \$144,259 that was previously classified in accounts payable and accrued liabilities.

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