

Financial Statements

Board of Management of the Toronto Zoo
December 31, 2008

AUDITORS' REPORT

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, 2008 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, 2008 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 13, 2009.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Board of Management of the Toronto Zoo

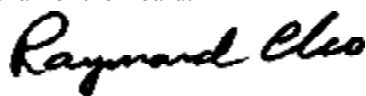
BALANCE SHEET

As at December 31

	2008 \$	2007 \$ <i>[restated - note 5[a]]</i>
ASSETS		
Current		
Cash	11,173,148	9,570,624
Accounts receivable		
City of Toronto <i>[note 3]</i>	1,250,295	3,326,247
Toronto Zoo Foundation <i>[note 10]</i>	826,961	—
Trade	357,493	209,509
Inventories	361,271	354,862
Prepaid supplies	385,274	304,931
Total current assets	14,354,442	13,766,173
Capital assets, net <i>[note 4]</i>	1,859,149	775,679
Receivable from City of Toronto <i>[note 3[c]]</i>	10,076,048	9,427,115
	26,289,639	23,968,967
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>[notes 5 and 14]</i>	10,786,178	10,499,802
Due to Toronto Zoo Foundation <i>[note 10]</i>	—	48,698
Deferred revenue	2,152,473	1,843,076
Total current liabilities	12,938,651	12,391,576
Employee future benefits payable <i>[note 5]</i>	10,076,048	9,427,115
Total liabilities	23,014,699	21,818,691
Commitments and contingencies <i>[notes 11 and 14]</i>		
Net assets		
Invested in capital assets <i>[note 4]</i>	1,859,149	775,679
Internally restricted <i>[note 6]</i>	1,415,791	1,374,597
Total net assets	3,274,940	2,150,276
	26,289,639	23,968,967

See accompanying notes

On behalf of the Board:



Chair



Vice Chair

Board of Management of the Toronto Zoo

STATEMENT OF OPERATIONS

Year ended December 31

	2008		2007
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		<i>[restated - note 5[a]]</i>
REVENUE			
Funding from City of Toronto			
General appropriation	11,720,153	11,720,153	11,544,432
Capital works contributions	174,900	—	105,737
Funding from Toronto Zoo Foundation <i>[note 10]</i>	3,605,827	3,558,825	3,247,244
Admission	11,180,725	12,393,958	12,493,286
Food services	4,815,700	5,501,058	5,973,800
Gift shop operations	3,000,500	2,909,945	3,073,648
Parking	1,978,000	2,313,827	2,411,170
Rides and rentals	1,201,000	1,028,155	1,246,399
Education programs	795,756	788,376	727,989
Other revenue and recoveries	2,620,613	573,345	714,233
Interest <i>[note 6]</i>	—	41,194	56,047
	41,093,174	40,828,836	41,593,985
EXPENSES <i>[note 5]</i>			
Operations and administration <i>[note 1]</i>	21,389,313	20,796,372	21,780,323
Conservation, education and research	6,129,772	6,603,248	5,288,771
Marketing and communications	5,383,166	4,729,671	5,009,595
Food services	4,001,995	4,294,226	4,386,993
Gift shop operations	2,283,141	2,041,485	2,140,482
General management	1,905,787	1,335,666	1,844,096
Amortization of capital assets	—	377,749	186,017
	41,093,174	40,178,417	40,636,277
Excess of revenue over expenses			
before the following	—	650,419	957,708
Transfer of excess funding to City of Toronto			
<i>[notes 1 and 3[b]]</i>	—	(174,688)	(190,197)
Transfer from (to) City of Toronto related to change			
in employee future benefits payable <i>[note 3[c]]</i>	—	648,933	(337,989)
Excess of revenue over expenses for the year	—	1,124,664	429,522

See accompanying notes

Board of Management of the Toronto Zoo

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2008			
	Invested in capital assets \$ [note 4]	Internally restricted \$ [note 6]	Unrestricted \$	Total \$
Net assets, beginning of year	775,679	1,374,597	—	2,150,276
Excess of revenue over expenses for the year	—	—	1,124,664	1,124,664
Interest on internally restricted funds [note 6]	—	41,194	(41,194)	—
Change in net assets invested in capital assets [note 4]	1,083,470	—	(1,083,470)	—
Net assets, end of year	1,859,149	1,415,791	—	3,274,940

	2007			
	Invested in capital assets \$ [note 4]	Internally restricted \$ [note 6]	Unrestricted \$	Total \$
Net assets, beginning of year	402,204	1,318,550	—	1,720,754
Excess of revenue over expenses for the year	—	—	429,522	429,522
Interest on internally restricted funds [note 6]	—	56,047	(56,047)	—
Change in net assets invested in capital assets [note 4]	373,475	—	(373,475)	—
Net assets, end of year	775,679	1,374,597	—	2,150,276

See accompanying notes

Board of Management of the Toronto Zoo

STATEMENT OF CASH FLOWS

Year ended December 31

	2008	2007
	\$	\$
		<i>[restated - note 5[a]]</i>
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,124,664	429,522
Add item not involving cash		
Amortization of capital assets	377,749	186,017
	<u>1,502,413</u>	<u>615,539</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable		
City of Toronto	2,075,952	(1,310,902)
Toronto Zoo Foundation	(826,961)	4,095,244
Trade	(147,984)	(123,747)
Inventories	(6,409)	23,832
Prepaid supplies	(80,343)	(6,244)
Accounts payable and accrued liabilities	(621,484)	2,949,925
Due to Toronto Zoo Foundation	(48,698)	48,698
Deferred revenue	309,397	191,664
Cash provided by operating activities	<u>2,155,883</u>	<u>6,484,009</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(553,359)	(262,038)
Cash used in investing activities	<u>(553,359)</u>	<u>(262,038)</u>
Net increase in cash during the year	<u>1,602,524</u>	<u>6,221,971</u>
Cash, beginning of year	9,570,624	3,348,653
Cash, end of year	<u>11,173,148</u>	<u>9,570,624</u>
Non-cash transactions		
Capital assets included in accounts payable and accrued liabilities	907,860	297,454

See accompanying notes

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 3[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 7]. In addition, the City maintains an Endangered Species Reserve Fund for the Board [note 8].

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 9].

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 4]. 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 [2007 - \$333,000] for the vehicle reserve and \$178,710 [2007 - \$156,731] 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 10].

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, 2008

The significant accounting policies are summarized as follows:

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.

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.

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

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives 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.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Employee future benefits

The Board has adopted the following policies with respect to employee future 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; and
- net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

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 the statement of operations.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Financial instruments

The Board has chosen to continue to apply The Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: ["CICA *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*].

The Board has designated its financial instruments as follows:

- Cash as held-for-trading
- Current accounts receivable and long-term receivables as loans and receivables
- Accounts payable and accrued liabilities as other liabilities

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.

Accounting policy changes

Effective January 1, 2008, the Board adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Board's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures which are provided in note 13.

Effective January 1, 2008, the Board adopted the recommendations of CICA 3031: *Inventories*. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of this recommendation had no material impact on the financial statements.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Future accounting policy changes

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; requiring the reporting of revenues and expenses on a gross basis in the Statement of Operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009 with earlier adoption permitted. Management is assessing the impact of these revisions and the timing of their adoption. However, the impact will be limited to reclassification of numbers in the statements and additional disclosures.

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts* to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. These amendments are not expected to have an impact on the financial statements.

3. 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 at the agreed upon exchange amount. In addition, the Board manages on behalf of the City the capital program for the Zoo. As a result, 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 3[b]].

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

- [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 current accounts receivable from the City and the changes during the year are as follows:

	2008 \$	2007 \$
Due to City of Toronto related to operating excess, beginning of year	(334,456)	(144,259)
Excess funding transferred to City of Toronto	(174,688)	(190,197)
Due to City of Toronto related to operating excess, end of year	(509,144)	(334,456)

- [c] The Board has recorded a non-interest bearing long-term 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.

4. 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 \$10,357,964 [2007 - \$6,433,271] 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:

	2008		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Computer equipment	146,469	82,624	63,845
Other equipment and animal structures	2,547,511	822,206	1,725,305
Furniture	86,061	16,062	69,999
	2,780,041	920,892	1,859,149

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

	2007	
	Cost	Accumulated amortization
	\$	\$
Computer equipment	55,453	44,202
Other equipment and animal structures	1,226,507	491,485
Furniture	36,862	7,456
	1,318,822	543,143
		Net book value
		\$
		11,251
		735,022
		29,406
		775,679

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

	2008	2007
	\$	\$
Balance, beginning of year	775,679	402,204
Purchase of capital assets internally funded	1,461,219	559,492
Amortization of capital assets	(377,749)	(186,017)
Balance, end of year	1,859,149	775,679

Net assets invested in capital assets are represented by:

	2008	2007
	\$	\$
Capital assets, net	1,859,149	775,679

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

	2008	2007
	\$	\$
Purchase of capital assets internally funded	1,461,219	559,492
Less amortization of capital assets	377,749	186,017
Change in net assets invested in capital assets	1,083,470	373,475

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

5. EMPLOYEE BENEFITS

[a] Restatement of Employee Future Benefits Payable

The comparative 2007 financial statements have been restated to reflect an error in the actuarial valuation of sick leave liabilities, which are included in employee future benefits payable. The actuarial error understated the accumulated sick leave liability and resulted in an understatement of sick leave benefits payable.

As a result of the restatement, as at December 31, 2007, the sick leave liability increased by \$1,362,017 and the unamortized actuarial gain decreased by \$1,159,931 [see [b] below]. As a result, the long-term receivable from City of Toronto and employee future benefits payable increased \$202,086, respectively. In the statement of operations, operations and administration, conservation, education and research, marketing and communications and general management expenses increased by \$143,571, \$34,718, \$12,524 and \$11,273, respectively. In addition, the transfer to City of Toronto related to change in employee future benefits payable decreased by \$202,086 in the statement of operations.

[b] 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:

	2008 \$	2007 \$
		<i>[restated – note 5[a]]</i>
Sick leave	2,582,820	2,691,519
Other retirement and post-employment benefits	6,000,364	7,197,758
Total accrued benefit obligations	8,583,184	9,889,277
Less unamortized actuarial (gain) loss	(1,492,864)	462,162
Total employee future benefits payable [note 3[c]]	10,076,048	9,427,115

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, 2008

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

	2008 \$	2007 \$
		<i>[restated – note 5[a]]</i>
Balance, beginning of year	9,889,277	10,378,327
Current service cost	649,440	626,802
Interest cost	493,605	464,637
Prior year's vacation pay accrual transferred to accounts payable and accrued liabilities	—	(1,040,250)
Expected benefits paid	(548,197)	(723,360)
Actuarial gain	(1,900,941)	183,121
Balance, end of year	8,583,184	9,889,277

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

	2008 \$	2007 \$
		<i>[restated – note 5[a]]</i>
Current service cost	649,440	626,802
Interest cost	493,605	464,637
Amortization of actuarial gain	54,084	53,015
	1,197,129	1,144,454

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 excess (deficiency) of revenue over expenses from budget.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Cash payments made during the year are as follows:

	2008	2007
	\$	\$
Sick leave	101,358	103,950
Other retirement and post-employment benefits	143,040	139,378
	244,398	243,328

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 \$1,441,235 [2007 - \$1,449,595] and are included 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, 2008 and 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 2009 year end.

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

	2008	2007
	%	%
Discount rate for accrued benefit obligations		
Sick leave	7.0	5.0
Other retirement and post-employment benefits	7.0	4.9
Discount rate for accrued benefit costs		
Sick leave	5.0	6.0
Other retirement and post-employment benefits	4.9	5.5
Rate of compensation increase	3.0	3.0

For measurement purposes, a 7.6% annual rate of increase in the per capita cost of covered health care benefits was assumed. The rate is assumed to decrease gradually to 4.6% by 2017 and remain at that level thereafter.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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, 2008, amounted to \$1,087,174 [2007 - \$1,023,618].

6. INTERNALLY RESTRICTED FUND

The Board has internally restricted \$1,415,791 [2007 - \$1,374,597] for the Ride & Revenue Development project, consisting of insurance proceeds, including interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

7. 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:

	2008 \$	2007 \$
Balance, beginning of year	391,912	398,703
Revenue		
Revenue from animals sold	11,897	11,295
Interest earned	25,316	36,189
Expenses		
Animals purchased	(56,834)	(53,214)
Other revenues (expenses)	275	(1,061)
Balance, end of year	372,566	391,912

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

8. 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:

	2008 \$	2007 \$
Balance, beginning of year	761,473	748,545
Revenue		
Interest earned	18,631	66,439
Donations, grants and wishing wells	91,248	36,219
Expenses		
Services and rentals	(62,964)	(63,030)
Materials and supplies	—	(1,120)
Salaries and wages	(22,901)	(25,580)
Balance, end of year	785,487	761,473

9. 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:

	2008 \$	2007 \$
Balance, beginning of year	—	312,421
Transfer to the City of Toronto	—	(330,000)
Interest earned	—	17,579
Balance, end of year	—	—

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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.

10. 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.

As a result of the termination of the operating agreement between the Board and the Foundation September 12, 2008, the Foundation has initiated court proceedings to transfer the restricted and endowment funds and investments in the aggregate amount of the two funds to the Toronto Community Foundation which will carry out the trust activities and make distributions in accordance with the terms of the donor restrictions and internal restrictions that have been placed on the funds. The remaining assets and liabilities will be assumed by the Zoo. The effective date is anticipated to be May 8th, 2009.

The Board operates the Foundation's membership program on behalf of the Foundation, on a cost recovery basis totalling \$697,246 [2007 - \$663,797]. Decisions on membership categories, voting privileges and fees are made by the Board. Effective April 1, 2009 the Foundation will no longer collect membership fees related to the Zoo or solicit donations and sponsorships for the benefit of the Zoo.

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

The Foundation has net assets which consist of the following:

	2008	2007
	\$	\$
Endowment fund		
Internally restricted	2,648,541	2,911,541
Externally restricted	746,161	694,161
Restricted fund	2,982,663	3,262,764
Unrestricted fund	3,029,789	3,960,852
	<u>9,407,154</u>	<u>10,829,318</u>

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

11. CAPITAL EXPENDITURES COMMITMENT

As at December 31, 2008, the Board was contractually committed for \$5,496,225 [2007 - \$12,662,168] in capital expenditures.

12. FINANCIAL INSTRUMENTS

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted.

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. One contract is outstanding at December 31, 2008 and expires on December 31, 2009. The contract is in a loss position at December 31, 2008; however the Board's portion of this loss is nominal.

13. CAPITAL MANAGEMENT

In managing capital, the Board focuses on liquid resources available for operations. The Board's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2008, the Board has met its objective of having sufficient liquid resources to meet its current obligations.

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. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

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