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Members of the Board of Management  
of the Toronto Zoo

16 November 2010

Dear Members of the Board:

We are pleased to provide an update to our report submitted to you in June 2010 dated May 10, 2010 - "Audit Results -Year Ended December 31, 2009" (the "Report") - with comments related to our audit of the 2009 financial statements of the Board of Management of the Toronto Zoo (the "Zoo" or the "organization").

As a result of completing the outstanding procedures as detailed in the report, the following item of audit significance was noted and discussed with management:

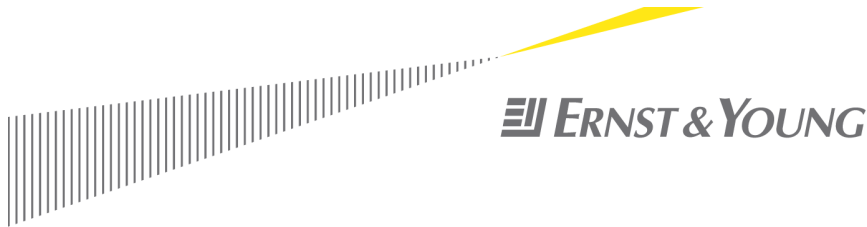
#### **Significant Estimate - Pay Equity**

##### Description

- The Zoo has a significant accrual for pay equity as a result of the Pay Equity Act. Amounts have been estimated to be payable to incumbents in predominantly female gender positions. The pay equity accrual was originally established in 2005 for the non-permanent employee positions. Pay equity payments have been made every year since 2006, however, the majority of the accrual has yet to be paid out.
- During the year, management refined the estimated accrual for the remaining non-permanent employee positions as a result of the Pay Equity Plan Addendum 2 between CUPE 1600 and the Zoo dated December 2008 (the "Addendum"). During fiscal 2009, management engaged an independent pay equity specialist to assist with the reassessment of the pay equity accrual and refined their original accrual based on the eligible positions detailed in the addendum. In November 2010, management's findings resulted in recording a decrease of \$1.3 million to the pay equity accrual recorded as at December 31, 2009.

##### Audit Results and Comments

- As part of our audit procedures, we reviewed the methodology and inputs used by management and the pay equity specialist to determine the accrual for pay equity. We were able to reconcile the inputs used by the pay equity specialists to the Zoo records but were unable to satisfy ourselves that all individuals eligible for pay equity payments were included in the report and the overall valuation of the amount payable. Accordingly, we were not able to determine whether any adjustments might be necessary to accounts payable and accrued liabilities, accounts receivable - City of Toronto, operations and administration expenses, and transfer of excess funding to the City of Toronto. Any increase or decreases to the accrual for



pay equity has no impact on the excess of revenue over expenses since there is an equal and offsetting adjustment to the transfer of excess funding to the City of Toronto.

- Since we were unable to obtain sufficient audit evidence to form an opinion with respect to the valuation of the pay equity accrual, we have included a reservation in our audit report as a result of the limitation in the scope of our examination. Refer to our revised audit report within the draft financial statements of the Zoo for the year ended December 31, 2009.
- In addition, our audit report has been double dated to reflect the procedures performed in connection with the late adjustment to the financial statements for the pay equity accrual. Refer to note 16 which has been added to the statements to provide comments on the pay equity accrual.

During the completion of the additional procedures related to the pay equity accrual, two additional audit adjustments were identified and subsequently recorded. One adjustment noted above for the reduction of the pay equity accrual by \$1,313,017 and an increase in the accruals for additional consulting and audit fees related to the work on pay equity for \$58,127. These two adjustments resulted in decreased expenditures by \$1,254,890.

Our report will be dated March 12, 2010 with the exception of note 16 which contains information as of November 16, 2010. Our report will be issued upon confirmation from the Board that there are no areas of concern that have not been addressed in this document and our report dated May 10, 2010.

This letter is intended solely for the use of the Board of Management of the Toronto Zoo, management of the Zoo and City of Toronto and ultimately the City of Toronto Council, and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it. Further, this letter is a by-product of our audit of the December 31, 2009 financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Board in fulfilling its responsibilities.

We are looking forward to meeting with you to discuss the contents of this letter and answer any questions you may have about these or any other audit-related matters.

*Ernst & Young LLP*

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Members of the Board of Management  
of the Toronto Zoo

16 November 2010

We have been engaged to audit the financial statements of the Board of Management of the Toronto Zoo (the "Board") for the year ended December 31, 2009.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the Board and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 10, 2010, the date of our last letter.

We are not aware of any relationships between Ernst & Young and the Board that, in our professional judgment, may reasonably be thought to bear on our independence since May 10, 2010, the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Board in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Board within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of November 16, 2010. The total fees charged to the Board during this period were set out in the original Audit Results package and subsequent to that there was an additional \$15,000 fee for our work related to the pay equity changes.

Yours truly,

*Ernst & Young LLP*  
**Chartered Accountants**  
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