

Financial Statements

Board of Management of the Toronto Zoo
December 31, 2009

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** [the "Board"] as at December 31, 2009 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.

Except as explained in the following paragraph, 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.

As outlined in note 16, there is an accrual for pay equity amounts included in accounts payable and accrued liabilities. We were unable to obtain sufficient audit evidence to form an opinion with respect to the valuation of this accrual. 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.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves as to the valuation of the accrual for pay equity referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2009 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thornhill, Canada,
March 12, 2010 [except as to note 16
which is as of November 16, 2010].

Board of Management of the Toronto Zoo

BALANCE SHEET

As at December 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	10,535,126	11,173,148
Accounts receivable		
City of Toronto [notes 3 and 16]	1,028,355	1,250,295
Toronto Zoo Foundation [note 1]	—	826,961
Trade	204,518	357,493
Inventories [note 11]	440,352	361,271
Prepaid supplies	321,140	385,274
Total current assets	12,529,491	14,354,442
Capital assets, net [note 4]	2,520,881	1,859,149
Receivable from City of Toronto [note 3[c]]	10,517,527	10,076,048
	25,567,899	26,289,639
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [notes 5,15 and 16]	6,876,553	10,786,178
Transfer to Toronto Community Foundation [note 10]	238,812	—
Deferred revenue	3,990,007	2,152,473
Total current liabilities	11,105,372	12,938,651
Employee future benefits payable [note 5]	10,517,527	10,076,048
Total liabilities	21,622,899	23,014,699
Commitment and contingencies [notes 12 and 15]		
Net assets		
Internally restricted [note 6]	3,945,000	3,274,940
	25,567,899	26,289,639

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

	2009		2008
	Budget	Actual	Actual
	\$	\$	\$
<i>[unaudited]</i>			
REVENUE			
Funding from City of Toronto			
General appropriation	11,676,507	11,676,507	11,720,153
Capital works contributions	171,000	—	—
Funding from Toronto Zoo Foundation <i>[note 1]</i>	919,966	811,333	3,558,825
Admission	15,319,014	17,079,020	12,393,958
Food services	5,590,228	6,151,509	5,501,058
Gift shop operations	3,300,500	2,813,533	2,909,945
Parking	1,978,000	2,526,715	2,313,827
Other revenue and recoveries	2,152,525	974,851	573,345
Rides and rentals	1,226,000	1,010,286	1,028,155
Education programs	767,696	787,071	788,376
Development division	—	566,400	—
Interest <i>[note 6]</i>	—	8,328	41,194
	43,101,436	44,405,553	40,828,836
EXPENSES <i>[note 5]</i>			
Operations and administration <i>[notes 1 and 16]</i>	21,858,758	20,984,639	20,796,372
Conservation, education and research	6,547,159	6,913,892	6,603,248
Marketing and communications	5,376,225	5,087,828	4,729,671
Food services	4,436,694	4,780,866	4,294,226
Gift shop operations <i>[note 11]</i>	2,642,319	2,282,273	2,041,485
General management	2,240,281	1,852,308	1,335,666
Development division	—	327,588	—
Amortization of capital assets	—	499,039	377,749
	43,101,436	42,728,433	40,178,417
Excess of revenue over expenses before the following	—	1,677,120	650,419
Transfer to Toronto Community Foundation <i>[note 10]</i>		(238,812)	
Transfer of excess funding to City of Toronto <i>[notes 1, 3[b] and 16]</i>	—	(1,209,727)	(174,688)
Transfer from City of Toronto related to change in employee future benefits payable <i>[note 3[c]]</i>		441,479	648,933
Excess of revenue over expenses for the year	—	670,060	1,124,664

See accompanying notes

Board of Management of the Toronto Zoo

STATEMENT OF CASH FLOWS

Year ended December 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	670,060	1,124,664
Add item not involving cash		
Amortization of capital assets	499,039	377,749
	<u>1,169,099</u>	<u>1,502,413</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable		
City of Toronto	221,940	2,075,952
Toronto Zoo Foundation	826,961	(826,961)
Trade	152,975	(147,984)
Inventories	(79,081)	(6,409)
Prepaid supplies	64,134	(80,343)
Accounts payable and accrued liabilities	(4,066,529)	(621,484)
Transfer to Toronto Community Foundation	238,812	—
Due to Toronto Zoo Foundation	—	(48,698)
Deferred revenue	1,837,534	309,397
Cash provided by operating activities	<u>365,845</u>	<u>2,155,883</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,003,867)	(553,359)
Cash used in investing activities	<u>(1,003,867)</u>	<u>(553,359)</u>
Net increase (decrease) in cash during the year	(638,022)	1,602,524
Cash, beginning of year	11,173,148	9,570,624
Cash, end of year	<u>10,535,126</u>	<u>11,173,148</u>
Non-cash transactions		
Capital asset purchases included in accounts payable and accrued liabilities	156,904	907,860

See accompanying notes

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 on behalf of the City trades and sells specimens surplus to its needs. 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 [2008 - \$333,000] for the vehicle reserve and \$188,117 [2008 - \$178,710] 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 that, until May 29, 2009, operated on the Zoo site. The accounts of the Foundation are not included in the accompanying statements. In September 2008, the Zoo notified the Foundation that they were going to terminate the operating agreement between the two organizations which provided for the Foundation carrying out fundraising and membership programs on behalf of the Zoo. By a resolution dated September 17, 2008, the Foundation decided to dispose of its net assets and dissolve. The Foundation expects to complete the distribution of its net assets and dissolve in 2010.

The Foundation continued to operate the membership program on behalf of the Zoo until February 28, 2009. Effective March 1, 2009, all deferred membership fees were transferred to the Zoo. As of April 1, 2009, the Zoo offered employment to most Foundation employees and

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

assumed the obligations for employee future benefits [note 5]. The Foundation reimbursed the Zoo for the salaries and benefits of the transferred employees for the months of April and May of 2009 since they continued to work on Foundation-related matters.

The Foundation entered into an agreement with the Toronto Community Foundation and the Zoo to establish a trust, to be referred to as the Toronto Zoo Trust, to which the funds included in the Restricted and Endowment Funds of the Foundation were to be transferred effective May 29, 2009 [note 10]. The trust agreement provides that the Toronto Community Foundation will administer the funds and make distributions in accordance with the terms of the restrictions that have been placed on the funds. On June 1, 2009, the Foundation transferred investments totaling \$6,351,595 to the Toronto Community Foundation. The transfer in excess of the total balance of the Restricted and Endowment Funds balance of \$57,826 was recovered by the Zoo and is included in funding from Toronto Zoo Foundation in the statement of operations.

Effective May 29, 2009, the Foundation entered into an agreement with the Zoo to transfer all remaining assets and liabilities to the Zoo. Deferred revenue of \$687,677, employee future benefits payable of \$85,304, accounts payable and accrued liabilities of \$60,074 and cash of \$3,445,507 were transferred to the Zoo.

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 Standards Board ["PSAB"].

The significant accounting policies are summarized as follows:

Revenue recognition

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

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

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Deferred revenue

Deferred revenue consists of unredeemed gift certificates, membership revenue and funds received for specific operating projects attributable to future periods of benefit.

Inventories

Inventories consist of gift shop' 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

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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

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Financial instruments

The Board has chosen to continue to apply the Canadian Institute of Chartered Accountant's ["CICA"] 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *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.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

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, 2009, the Zoo adopted retroactively the changes to the recommendations in CICA 4400: *Financial Statements Presentation for Not-For-Profit Organizations* that eliminate the requirement to disclose the amount of net assets invested in capital assets and suggest that the amount may be included in internally restricted net assets. As a result, the Zoo has reclassified the prior year financial statements to include the amount of net assets invested in capital assets as at December 31, 2007 of \$775,679 and as at December 31, 2008 of \$1,859,149 in internally restricted net assets.

Effective January 1, 2009, the Zoo adopted the recommendation of CICA 4470: *Disclosure of Allocated Expenses for Not-for-Profit Organization*. Additional disclosures required as a result of adopting this recommendation have been provided in the accounting policy note *Allocation of expenses*.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

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Future accounting policy changes

PSAB issued an exposure draft in March 2010 which sets out financial reporting proposals that would apply to government not-for-profit organizations. Specifically, PSAB proposes to incorporate into the Public Sector Accounting ["PSA"] Handbook the 4400 series from the CICA Handbook without making substantive changes at this time; amend the Introduction of Accounting Standards that apply only to not-for-profit organizations currently in the PSA Handbook to set out the applicability of standards in the PSA Handbook to government not-for-profit organizations; and amend the Introduction to Public Sector Accounting Standards to direct government not-for-profit organizations to apply the standards for not-for-profit organizations in the PSA Handbook for fiscal periods beginning on or after January 1, 2012 with retroactive application with restatement of prior periods. PSAB expects the final standards will be incorporated into the PSA Handbook in late 2010. Government not-for-profit organizations currently use the standards developed by the Accounting Standards Board that are used by private sector not-for-profit organizations. If these proposals are adopted, government not-for-profit organizations will continue to apply the 4400 series of standards using the PSA Handbook.

3. RELATED PARTY TRANSACTIONS, 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 to the City [note 3[b]].
- [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:

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

	2009 \$	2008 \$
Due to City of Toronto related to operating excess, beginning of year	(509,144)	(334,456)
Funding deficiency (excess) transferred from (to) City of Toronto	(1,209,727)	(174,688)
Due to City of Toronto related to operating excess, end of year	(1,718,871)	(509,144)

[c] The Board has recorded a non-interest bearing long-term receivable in connection with the expected recoveries of employee future benefits payable from the City [note 5], 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 \$5,325,621 [2008 - \$10,357,964] 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:

	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	153,054	118,325	34,729
Other equipment and animal structures	3,615,085	1,268,277	2,346,808
Furniture	172,673	33,329	139,344
	3,940,812	1,419,931	2,520,881

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

	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
	<u>2,780,041</u>	<u>920,892</u>	<u>1,859,149</u>

5. EMPLOYEE FUTURE BENEFITS

- [a] The Board has a number of defined benefit plans providing pension, sick leave gratuity benefits 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:

	2009	2008
	\$	\$
Sick leave	3,236,267	2,582,820
Other retirement and post-employment benefits	5,555,542	6,000,364
Total accrued benefit obligations	8,791,809	8,583,184
Unamortized actuarial gain	1,725,718	1,492,864
Total employee future benefits payable [note 3[c]]	10,517,527	10,076,048

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, 2009

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

	2009	2008
	\$	\$
Balance, beginning of year	8,583,184	9,889,277
Current service cost	253,727	649,440
Interest cost	496,751	493,605
Benefits paid	(375,676)	(548,197)
Actuarial gain	(166,177)	(1,900,941)
Balance, end of year	8,791,809	8,583,184

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

	2009	2008
	\$	\$
Current service cost	253,727	649,440
Interest cost	496,751	493,605
Amortization of actuarial (gain) loss	(89,889)	54,084
	660,589	1,197,129

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 unfavourable variance when actual is compared to budget.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

Cash payments made during the year are as follows:

	2009 \$	2008 \$
Sick leave	90,000	101,358
Other retirement and post-employment benefits	285,676	143,040
	<u>375,676</u>	<u>244,398</u>

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 \$1,509,413 [2008 - \$1,441,235] and are included in the statement of operations.

Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2009. The next actuarial valuation is scheduled to be completed in 2012.

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

	2009 %	2008 %
Discount rate for accrued benefit obligations		
Sick leave	5.3	7.0
Other retirement and post-employment benefits	5.3 -6.1	7.0
Discount rate for accrued benefit costs		
Sick leave	7.0	5.0
Other retirement and post-employment benefits	7.0	4.9
Rate of compensation increase	<u>3.0</u>	<u>3.0</u>

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed except for a 4.0% annual rate of increase for dental benefits. The rate is assumed to decrease gradually to 4.0% by 2020 for all benefits except for the dental which is assumed to decrease gradually to 3.0% by 2015, and remain at those levels thereafter.

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

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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, 2009, amounted to \$1,127,219 [2008 - \$1,087,174].

6. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted net assets are as follows:

	2009 \$	2008 \$
Invested in capital assets	2,520,881	1,859,149
Ride & Revenue Development project	1,424,119	1,415,791
	<u>3,945,000</u>	<u>3,274,940</u>

The Board has internally restricted \$1,424,119 [2008 - \$1,415,791] 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.

Board of Management of the Toronto Zoo

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Details of the Animal Transaction Reserve Fund are as follows:

	2009 \$	2008 \$
Balance, beginning of year	372,566	391,912
Revenue		
Revenue from animals sold	—	11,897
Interest earned	4,567	25,316
Expenses		
Animals purchased	(51,988)	(56,834)
Other	(2,053)	275
Balance, end of year	323,092	372,566

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:

	2009 \$	2008 \$
Balance, beginning of year	785,487	761,473
Revenue		
Interest earned	36,291	18,631
Donations, grants and wishing wells	49,624	91,248
Expenses		
Services and rentals	(54,801)	(62,964)
Salaries and wages	—	(22,901)
Balance, end of year	816,601	785,487

Board of Management of the Toronto Zoo

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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. The Zoo Stabilization Reserve Fund has been fully depleted with no remaining balance in the fund for two consecutive years.

10. TORONTO COMMUNITY FOUNDATION

Funds held by the Toronto Community Foundation that are not included in these financial statements [note 1] consist of the following:

	December 31, 2009 \$	May 29, 2009 \$
Donor restricted	1,615,962	1,425,595
Internally restricted	2,574,616	2,271,316
Unrestricted	2,943,630	2,596,858
Development	57,611	57,826
	<u>7,191,819</u>	<u>6,351,595</u>

The Zoo has entered into an agreement with the Toronto Community Foundation to transfer operating revenues in excess of operating expenses from the development program to the Toronto Community Foundation with the Toronto Community Foundation investing and administering the funds on behalf of the Zoo. The Board approved the transfer of \$238,812 to the Toronto Community Foundation; this amount is recorded as an expense in the statement of operations and as a transfer to the Foundation in the balance sheet.

11. INVENTORIES

Inventories consist of finished goods available for sale. The amount of inventories recognized as cost of sales was \$1,349,688 during the year [2008 - \$1,303,015].

Board of Management of the Toronto Zoo

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

12. CAPITAL EXPENDITURES COMMITMENT

As at December 31, 2009, the Board was contractually committed for \$6,487,245 [2008 - \$5,496,225] in capital expenditures.

13. 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 of the wholesale price over the term of the contract. All contracts entered into by the City expired by December 31, 2009.

14. 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, 2009, the Board has met its objective of having sufficient liquid resources to meet its current obligations.

15. CONTINGENCIES

In the normal course of its operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is able to be estimated, 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 able to be estimated.

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16. PAY EQUITY

An accrual for pay equity amounts due to employees and former employees of \$648,806 [2008 - \$2,291,274] is included in accounts payable and accrued liabilities. Any increase or decreases to this 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.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.