
Board of Management of the Toronto Zoo

*2013 Year-end report
to the Audit Committee*

*Prepared as of
May 12, 2014*





Private and confidential

May 12, 2014

Members of the Board of Management of the
Toronto Zoo

Dear Members of the Board of Management:

We have substantially completed our audit of the financial statements (the financial statements) of the Board of Management of the Toronto Zoo (the organization or the Zoo) prepared in accordance with Public Sector Accounting Standards including standards that apply only to government not-for-profit organizations for the year ended December 31, 2013. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix B.

We have issued the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with you our key findings.

We would like to express our sincere thanks to the management and the staff of the organization who have assisted us in carrying out our work and we look forward to our meeting on May 15, 2014. Should you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Nicoló
Engagement Partner
Audit and Assurance Group

cc: John Tracogna, Chief Executive Officer
Robin Hale, Chief Operating Officer
Paul Whittam, Manager of Financial Services

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

1. *Executive summary*

a. **Status of the audit**

We have substantially completed our audit of the 2013 financial statements. Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and the Audit Committee, as required by Canadian generally accepted auditing standards (Canadian GAAS).

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding item	Status as at May 15, 2014
i. Receipt of updated City of Toronto Confirmation	
ii. Receipt of reliance letter from Buck Consulting	
iii. Legal update to the date of the audit report	
iv. Receipt of signed management representation letter	
v. Subsequent events update to the date of audit report	
vi. Approval of the financial statements by the Policy and Finance Committee / Board of Management	

b. Key issues for discussion

Discussion item	Summary	For further reference
Items discussed with management	<ul style="list-style-type: none"> • During the course of our work we discussed the following items with management: <ul style="list-style-type: none"> - Treatment of related party transactions - Employee future benefits - Capital assets - Deferred revenue - Payroll - Management estimates - Risk of management override of controls - Budgeted figures 	Section 4
Summary of unadjusted items	<ul style="list-style-type: none"> • As a result of our audit, we identified unadjusted items with an effect of \$193,400 understatement of excess of revenue over expenses for the year. • Unadjusted and adjusted items are listed in section 5. • In our opinion, the financial statements, taken as a whole, are free of material misstatement. 	Section 5
Fraud	<ul style="list-style-type: none"> • No instances of fraud were noted as part of our audit procedures. 	Section 3
Management representations	<ul style="list-style-type: none"> • Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C. 	Appendix C

2. *Audit administration*

a. **Your team**

Your client service team comprises the following individuals:

Name	Role	Number of years on engagement	Phone number	Email address
Michael Nicoló	Engagement leader	3	416 218 1395	michael.nicolo@ca.pwc.com
Pamela Papadopoulos	Engagement manager	3	416 218 1528	pamela.p.papadopoulos@ca.pwc.com
Katrina Saskiw	Senior Associate	2	416 941 8383 ext. 25217	katrina.saskiw@ca.pwc.com

b. **Our audit objectives**

As the organization's auditor, our primary responsibility is to form and express an opinion on the organization's financial statements as at December 31, 2013 and for the year then ended in accordance with Public Sector Accounting Standards (PSAS) for government not-for-profit organizations. The financial statements are prepared by management with the oversight of those charged with governance (the Board of Management). An audit of the financial statements does not relieve management or the Board of Management of its responsibilities.

We conducted our audit in accordance with Canadian GAAS. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Board of Management. Where appropriate, we will provide management our views and insights and also advise management of other services we feel could be helpful – at all times staying within the realms of our independence rules.

c. **Engagement terms**

Our engagement letter (included in Appendix A), which was agreed to by the City of Toronto, sets out the terms and conditions for our engagement as the independent auditor of the organization for the above-mentioned year.

In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.

d. Our service deliverables

Our audit and audit related service deliverables with respect to 2013 are:

	Audit and audit related services	Timing/status
Audit opinions	<ul style="list-style-type: none">Financial statement audit for the Toronto Zoo	<ul style="list-style-type: none">March/April 2014
Other services	<ul style="list-style-type: none">Final report on the results of the audit to the Board of Management for approval	<ul style="list-style-type: none">May 15, 2014

3. *How we performed the audit*

a. **Our audit approach**

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. gaining an understanding of the business by focusing on new developments and key business issues affecting the organization as well as management's monitoring of controls and business processes;
- ii. identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
- iii. using well-reasoned professional judgment, especially in areas that are subjective or require estimates; and
- iv. leveraging reliance where possible on the organization's internal controls and information technology and data systems.

In the current year, our work included testing of key controls in the following areas:

- Purchases, payables and disbursements
- Payroll

All other areas were subject to tests of detail and substantive analytical testing.

Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements. As a result, you will always hear us talking to you about the key issues.

b. **Materiality**

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both. A common measure for setting materiality for a not-for-profit organization is to use 1/2% to 2% of revenue or expenditures.

Accordingly, we set our materiality for the audit as follows:

	Basis	Amount
Overall materiality	2% of expenditures	\$1,060,000
Unadjusted and adjusted items in excess of this amount are reported to the Board of Management	10% of overall materiality	\$106,000

c. Discussion on fraud risk

Canadian GAAS requires us to discuss fraud risk annually with the Audit Committee. We understand that part of your governance role is also to consider the fraud risks facing the organization and the responses to those risks.

Required discussion: Fraud related processes	<ul style="list-style-type: none"> • Through our audit process (and prior years' audits), we have developed an understanding of your oversight processes including: <ul style="list-style-type: none"> - Whistleblower policy - Code of conduct - Board of Management charters - Discussion at Policy and Finance Committee meetings and our attendance at those meetings - Business performance reviews - Review of related party transactions - Consideration of tone at the top • Are there any new processes or changes to the above that we should be aware of?
Required discussion: Fraud	<ul style="list-style-type: none"> • Management has reported any instances of fraud to the Auditor General. No instances of fraud were noted as part of our audit procedures. • We would like to ask whether you are aware of instances of actual, suspected or alleged fraud affecting the Zoo?

An auditor's responsibilities for detecting fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:

- inquired of management, the Audit Committee and others related to any knowledge of fraud or suspected fraud;
- performed disaggregated analytical procedures, primarily over revenue and consider unusual or unexpected relationships identified in planning the audit;
- incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures;
- performed additional required procedures to address the risk of management's override of controls, including:
 - testing internal controls designed to prevent and detect fraud;
 - examining journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - reviewing accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
 - evaluating the business rationale of significant unusual transactions.

4. Significant audit, accounting and financial reporting matters

Preparation of the financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the organization's reported results.

These risks were identified based on discussions with management, our knowledge of the business and current developments in your industry and the economy.

Item	Discussion
<p>Treatment of related party transactions</p>	<p>A high amount of activity occurs between the Zoo and the City of Toronto (the City). This includes transactions such as receipt of operating funding and other charges. In addition, there are numerous Funds (e.g. Animal Transaction Reserve Fund, Zoo Stabilization Reserve Fund, etc.) maintained by the City that are not recorded in the financial statements of the Zoo.</p> <p>We received independent confirmation from the City of Toronto confirming the following balances to ensure that they have been accurately and completely presented and/or disclosed in the accounts of the Zoo:</p> <ul style="list-style-type: none"> - General appropriation revenue - Capital works program financing - Receivable and payable balances from/to City - Animal transaction reserve fund - Endangered species reserve fund - Zoo Stabilization reserve fund <p>Management interacts with City accounting staff to ensure transactions and balances are accurately reflected in the Funds maintained by the City. We have no visibility to the accounts maintained by the City and rely on their confirmation for these balances.</p> <p>With regards to employee future benefits, consistent with prior years, the City only confirms the change in the employee benefit obligation as an expense to the Zoo. As a result of this there is a reconciling amount of \$799,845 (2012 - \$543,196) related to these costs.</p> <p>We have reviewed the related party note disclosure with respect to the relationship with the City and it appears to be appropriate.</p>

Item	Discussion
Employee future benefits	<p>We obtained the actuarial valuation report prepared by Buck Consulting for 2013 and reviewed the reasonability of the assumptions in calculating the post-retirement benefit liability, and noted no significant exceptions.</p> <p>We have also reviewed the accounting treatment of the employee benefit obligation in accordance with PSAS, and noted an expense of \$932,380 (2012 - \$788,365) related to current service costs, interest cost and amortization of actuarial gain (loss) recognized in the statement of operations. We noted a reconciling expense item with the City of \$799,845 (2012 - \$543,196) related to expected benefit payments of the Toronto Zoo, as noted in the Buck Consulting report.</p> <p>Completion of the employee benefit obligation work at the City of Toronto group audit level remains open.</p>
Capital assets	<p>We have reviewed selected invoices and other documents supporting additions capitalized by the Zoo in the year. We have also recalculated depreciation and assessed the reasonability of the useful lives of the capital assets. We noted a difference in depreciation estimate resulting in a proposed audit adjustment of \$193,400. Refer to section 5 of this report.</p> <p>We have also reviewed significant expense accounts such as repairs and maintenance accounts to ensure no significant amounts were expensed that should have been capitalized. No exceptions were noted.</p>
Deferred revenue	<p>We have reviewed management's estimate of deferred revenue for reasonableness and assessed the reasonability of management's basis for recognizing deferred amounts to net income based on supporting documentation.</p> <p>A control recommendation from the prior year has been updated for the current year, and has been included in Section 7 of this report.</p>
Payroll	<p>We have also obtained the ADP CSAE 3416 report on the operating effectiveness of controls at the service organization for fiscal 2013. We obtained an understanding of the controls relied on by the organization and the results of the testing of those controls. We have validated key management controls around the payroll cycle, and tested the year-end payroll reconciliation. No exceptions were noted.</p>
Management estimates	<p>During the course of our work, we performed work on the accruals by reviewing supporting documentation for the balances, to assess the appropriateness of the reported amounts. On an overall basis, we noted no issues.</p>
Risk of management override of controls	<p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement. In the current year, we tested of a sample of manual journal entries for appropriateness. We noted no issues as a result of our testing.</p>

Item	Discussion
Budgeted figures	Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements.

5. Summary of unadjusted and adjusted items

We have concluded that the financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the financial statements. Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Under Canadian GAAS, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected. As a result of our audit, we identified certain items and have discussed these with management, and management adjusted the financial statements to reflect certain of these items. Management has concluded that the remaining unadjusted item, which is described in (a) below, is immaterial individually and in the aggregate.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such items.

a. Unadjusted items

If the item below, a difference in estimate, were adjusted the effect on the Zoo's financial statements would be as follows:

Description	Excess of revenue over expense	Statement of financial position		
	Overstated (understated) \$	Assets (overstated) understated \$	Liabilities overstated (understated) \$	Net assets overstated (understated) \$
<i>To reduce the estimate for depreciation, based on PwC's calculation in accordance with the half-year rule</i>				
DR Accumulated depreciation		193,400		
CR Depreciation expense	(193,400)			
Total unadjusted difference	(193,400)	193,400	-	-

b. Adjusted items

Adjustments made by the Zoo as part of the audit process are as follows:

Description	Excess of revenue over expense	Statement of financial position		
	Overstated (understated) \$	Assets (overstated) understated \$	Liabilities overstated (understated) \$	Net assets overstated (understated) \$
<i>To record a portion of the benefits expense for the year</i>				
DR Expenses	132,535			
CR Transfer from City		(132,535)		
Total adjusted difference	132,535	132,535	-	-

6. *Other required communications*

Canadian GAAS requires that the external auditor communicate certain matters to the Board of Management that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

Matter to be communicated	PwC's response
Management's representations	<ul style="list-style-type: none"> • Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.
Significant deficiencies in internal control	<ul style="list-style-type: none"> • Canadian GAAS requires us to communicate to the Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. • A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Board of Management. • During our work, we did not note any significant deficiencies; however, we have included an update to prior year control recommendations to strengthen certain areas of the Zoo's internal control systems in Section 7.
Significant difficulties or disagreements that occurred during the audit	<ul style="list-style-type: none"> • No difficulties or disagreements occurred while performing our audit that requires the attention of the Board of Management.
Fraud and illegal acts	<ul style="list-style-type: none"> • No fraud came to our attention as a result of our audit procedures.

7. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

During our prior year audit, we identified the following control recommendations that we have discussed with management and wish to bring to your attention.

Update on prior year findings

Observation	Recommendation	Management's response
<p>Deferred Revenue</p> <p>Through our testing of the deferred revenue process, PwC noted that management made efforts to improve the tracking of its deferred revenue activities for better reporting purposes in the current year. As a result, there were also amounts in the deferred revenue balance recognized into income in the current year, where expenses had been incurred in prior periods. This resulted in cut-off adjustments reported in Section 3.</p> <p>PwC also noted that \$76K of membership revenues from the month of December were recognized as revenue, rather than being deferred, as a result of deferred membership revenue not being completely reviewed before final posting to the general ledger.</p>	<p>We recommend that management complete a final review of the deferred revenue schedule for reasonability at each month's end to establish reasonability of amounts in the account. This will add a check to ensure that the manual process for tracking deferred membership revenue is most accurate.</p> <p>Update for 2013: During our testing of deferred revenue, we noted that the review process was not fully implemented. While review of deferred membership was performed in the year, we recommend a multi-level review of the year-end deferred revenue, including deferred membership, prior to posting to the general ledger.</p>	<p>Management is in agreement with this recommendation.</p>

Observation	Recommendation	Management’s response
<p>HST/GST Tracking</p> <p>During our testing of the reasonability of HST/GST balances, we noted that the Zoo does not maintain a receivable account for HST/GST activity. All activity is maintained in a payable account. At year-end, we proposed a reclassification from accounts payable to accounts receivable.</p>	<p>We recommend that management set up a receivable account for GST/HST tracking purposes to avoid reporting understatements/overstatements of accounts payable or accounts receivable balances at year end.</p> <p>Update for 2013: We observed a new GST/HST receivable account in the general ledger this year. As a result, there were no understatement/overstatement accounts payable or receivable balances noted in the current year. This has been remediated in the current year.</p>	<p>This has been remediated in the current year.</p>

8. *Our commitment to audit quality*

We are proud of PwC's long history of delivering high quality and recognize that quality in everything we do is paramount. We know that you expect our people to be competent, objective and embody the right level of professional skepticism - while at all times maintaining an open dialogue with your management team. We believe our core values described below ensure that we achieve audit quality and quality service at the same time.

Core value	How it helps us execute a high quality audit
Investing in relationships	<ul style="list-style-type: none"> We believe that the professional relationships we foster with management and the Board of Management allow us to have open and candid dialogue over issues including, when necessary, asking those difficult questions. Relationships also allow us to provide timely advice and enable us to better understand the organization's operations.
Sharing and collaborating	<ul style="list-style-type: none"> Tackling today's complex business issues requires the collaboration of different team members from various areas of our firm such as tax or valuation experts. Our experts will work with members of your team to help solve complex issues and bring forward best practices.
Putting ourselves in others' shoes	<ul style="list-style-type: none"> Listening to and understanding others' perspectives allow for enhanced dialogue and allow us to think about issues from various points of view. We consider issues from multiple perspectives, starting with the standards, and including the views of management and the Board of Management as well as our assessment of what financial statement users expect. While we will express our views or preferences, we do not impose them on you unless we believe that there are no other alternatives within the standards.
Enhancing value	<ul style="list-style-type: none"> Our understanding of the business and execution of a quality audit allow us to identify issues that are important to the Board of Management and management. Within the realms of our independence rules, there are opportunities to provide recommendations and insight on improvements in controls, operations and other areas of business that can enhance shareholder value.

These core values govern how we operate - the audit work and documentation of procedures in our files are also always of the same high standard. Our people are subject to continuous training to ensure that they are equipped with the right tools and best practices to achieve quality and a focus on continuous improvement.

Although our audits are planned to focus on the key risks, our professional audit standards and regulators require us to ensure that we have sufficient evidence in all areas of our files. While we strive to achieve high quality in a cost effective manner, the reality is that we are being required to do more to comply with existing standards and to meet our regulator's interpretations of what audit quality is. This means that you will see us performing procedures in areas that you might consider lower risk.

As always we welcome your feedback on our performance and your views on how we achieve quality. You have our commitment that audit quality is paramount and you can have the confidence that the audit work performed by PwC will stand up to the scrutiny of contributors and other stakeholders.

9. 2013 audit fees

Our estimated fees were based on the agreed upon fee with the City of Toronto. Our fees exclude taxes, as outlined in the City of Toronto engagement letter.

Service description	Estimated fees 2013 \$	Actual fees - prior year \$
Audit of the financial statements	19,990	18,710
Total audit services	19,990	18,710

During the audit, additional time was incurred dealing with employee future benefits and other matters. An analysis will be prepared and discussed with management. Any billable amounts will be approved in accordance with the agreed upon terms of the City of Toronto engagement letter.

10. Changes for not-for-profit organizations

As part of our commitment to quality service, we now draw your attention to new and emerging accounting, auditing and regulatory developments together with their assessed impact on the Zoo's financial reporting:

Improvements proposed by the Accounting Standards Board and Public Sector Accounting Board

In April 2013, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued a statement of principles on Improvements to Not-for-Profit Standards. These principles are expected to be incorporated into future exposure drafts issued by each Board. The proposals would affect Part III of the CPA Canada Handbook – Accounting, and the CPA Canada Public Sector Accounting (PSA) Handbook including the PS 4200 series of Sections, to improve existing standards for financial reporting by NFPOs. The effects of these proposals would be significant. The timing of the exposure drafts and effective dates for individual standards has not yet been determined. More details can be found in Appendix D.

Appendix A: Engagement letter

November 1, 2010

Mr. Jeffrey Griffiths
Auditor General
City of Toronto, Metro Hall
55 John Street, 9th Floor
Toronto, Ontario, M5V 3C6

Dear Mr. Griffiths:

PricewaterhouseCoopers LLP (PricewaterhouseCoopers or we), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to be appointed auditors of the City of Toronto and its major agencies, boards, commissions and other entities listed in the "Annual Financial Statement and Other Reports" section of this engagement letter (collectively, the City), for the years ending December 31, 2010, 2011, 2012, 2013 and 2014. The purpose of this engagement letter is to confirm our mutual understanding of the specific terms and conditions of our engagement, which terms and conditions are supplemented by our standard terms and conditions set out in the Appendix attached to this letter. Should there be any conflict between our standard terms and conditions and the specific terms and conditions set out in this letter, specific terms and conditions shall apply.

Audit Services and Related Reports

We will provide the following services (the Audit Services):

Annual Financial Statement and Other Reports We will audit the City's financial statements and issue other reports, as outlined in the request for proposal 9171-09-7137 for external audit services dated November 3, 2009 for the engagements listed below as at December 31, 2010, 2011, 2012, 2013 and 2014 and for the years then ending, prepared in accordance with Canadian generally accepted accounting principles.

For the pension fund audits other than **the** Toronto Transit Commission Pension Fund Society, we will audit the statement of net assets available for benefits and the related statement of changes in net assets available for benefits in accordance with the basis of accounting disclosed in the notes to the financial statements. These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of management and the administrator of the funds and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario (the Act). These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management and/or the administrator.

1. Consolidated Financial Statements of the City of Toronto.
2. Consolidated Financial Statements of the City of Toronto Trust Funds.
3. City of Toronto Sinking Funds.
4. City of Toronto – Report on Compliance with Investment Policy.
5. City of Toronto – Report on Compliance with Agreement for the Transfer of Federal Gas Tax Revenue and Annual Expenditure Report.
6. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.
7. Long-term Care Homes and Services – Residents' Interest Trust Fund.
8. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below):

- (a) Bendal Acres;
 - (b) Carefree Lodge;
 - (c) Castleview Wychwood Towers;
 - (d) Cummer Lodge;
 - (e) Fudger House;
 - (f) Kipling Acres;
 - (g) Lakeshore Lodge;
 - (h) Seven Oaks;
 - (i) True Davidson Acres; and
 - (j) Wesburn Manor.
- 9. The Toronto Track and Field Centre – Statement of Operating Costs.
 - 10. Toronto Community Housing Corporation:
 - (a) Toronto Community Housing Corporation; and
 - (b) Housing Services Inc.
 - 11. Toronto Economic Development Corporation
 - 12. Toronto Parking Authority:
 - (a) Toronto Parking Authority; and
 - (b) Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Operations.
 - 13. Toronto Police Services Board Special Fund – Section 9110 Report.
 - 14. Toronto Public Health – Specified procedures in connection with various Settlements of Toronto Public Health programs (7 as listed below):
 - (a) Toronto Board of Health Cost Shared Programs;
 - (b) Settlement of AIDS Bureau Program and Statement of Revenue & Expenditures – Toronto Public Health – AIDS Bureau Program;
 - (c) Blind Low Vision;
 - (d) Healthy Babies Healthy Children Program;
 - (e) Infant Hearing Program;
 - (f) Preschool Speech and Language Program; and
 - (g) Smoke Free Ontario (if applicable).
 - 15. Toronto Public Library Board.
 - 16. Toronto Public Library Foundation.
 - 17. Consolidated Financial Statements of the Board of Governors of Exhibition Place.
 - 18. Canadian National Exhibition Association.
 - 19. Canadian National Exhibition Foundation.
 - 20. The Sony Centre for the Performing Arts.
 - 21. St. Lawrence Centre for the Arts.
 - 22. Toronto Centre for the Arts.
 - 23. Board of Management of the Toronto Zoo.
 - 24. Consolidated Financial Statements for the Toronto Transit Commission.
 - 25. Toronto Coach Terminal Inc.
 - 26. TTC Insurance Company Limited.
 - 27. The Pension Fund of the Corporation of the City of York Employee Pension Plan.
 - 28. The Fund of the Metropolitan Toronto Pension Plan.
 - 29. The Fund of the Metropolitan Toronto Police Benefit Fund.
 - 30. The Fund of the Toronto Civic Employees' Pension and Benefit Fund.
 - 31. The Fund of the Toronto Fire Department Superannuation and Benefit Fund.
 - 32. Toronto Transit Commission Pension Fund Society.
 - 33. Toronto Transit Commission Sick Benefit Association.

Reports Upon completion of our annual audits, we will provide the City with our reports on the work referred to above. The form and content of our audit reports will be in accordance with Canadian Audit Standard (CAS) 700 / CICA 5400. For the pension fund audits other than the Toronto Transit Commission Pension Fund Society, the form and content of our reports will be in accordance with CAS 800/CICA5600. There may be circumstances where our reports may differ from the expected form and content and if, for any reasons caused by or relating to the affairs or management of the City, we are unable to complete our audits, we may decline to issue our reports.

Our Responsibilities

Annual Financial Statement Audit The objective of a financial statement audit is the expression of an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to attain reasonable assurance whether the financial statements are free of material misstatement. The audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Other Reporting Responsibilities Our responsibility as auditors of the TTC Insurance Company Limited (TTC Insurance Co.) is also to report to the Financial Services Commission of Ontario (FSCO) whether certain statements and notes in the TTC Insurance Co.'s Annual Return P&C-1 to FSCO at December 31, 2010, 2011, 2012, 2013 and 2014 present fairly, in all material respects, the TTC Insurance Co.'s financial position, results of operations and changes in cash flows in accordance with Canadian generally accepted accounting principles.

Internal Control, Fraud and Error We will obtain an understanding of the City's internal control over financial reporting solely for the purpose of identifying types of potential misstatements, considering factors that affect the risks of material misstatements and determining the nature, timing and extent of auditing procedures necessary for expressing our opinions on these financial statements. This understanding will not be sufficient to enable us to render our opinions on the effectiveness of internal control over financial reporting, or to consider whether internal control is adequate for management's purposes, nor to identify all significant weaknesses in the City's system of internal financial controls. However, we will inform the appropriate level of management, the Auditor General and the Audit Committee of any significant weaknesses in internal control that come to our attention. Such communications are derivative in nature, and we do not design procedures for the principal purpose of identifying such matters.

Because of the inherent limitations of internal control over financial reporting, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected.

We will design our audits to provide reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on these financial statements as well as other illegal acts having a direct and material effect on these financial statement amounts. Our audits will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements.

It is important to recognize that there are inherent limitations in the auditing process such as: (i) the use of selective testing of the data underlying these financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed; (ii) the inherent limitation of internal control; and (iii) the fact that most audit evidence is persuasive rather than conclusive. Audits are, therefore, subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if any exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management’s ability to override controls, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Auditor General, Audit Committee and management of the City, as appropriate, any such matters identified during our audits.

Independence We are required to be, and to remain, independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Informing the Audit Committee and the Auditor General We also are responsible for determining that the Audit Committee and the Auditor General are informed about certain other matters related to the conduct of our audits, including but not limited to: (i) any disagreements with management about matters that could be significant to the City’s financial statements or our reports thereon; (ii) any serious difficulties encountered in performing the audits; (iii) information relating to our independence with respect to the City; and (iv) other matters related to the City’s financial statements including its accounting policies and practices.

Reliance by Third Parties The Audit Services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management’s Responsibilities

Responsible for Financial Statements and Internal Control The City’s management is responsible for the preparation and fair presentation of these financial statements and information referred to above. Management is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting systems and records, and for reporting financial information in conformity with Canadian generally accepted accounting principles.

If management engages us to translate these financial statements or other documents referred to above from one language to another, management is responsible for the translated documents.

Correction of Errors	Management is responsible for adjusting these financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the year under audit are immaterial, both individually and in the aggregate, to these financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.
Prevention and Detection of Fraud	Management also is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us: (i) of the risk that these financial statements may be materially misstated as a result of fraud; (ii) about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on these financial statements; and (iii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.
Laws and Regulations	Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities. Management will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.
Providing Information on a Timely Basis	Management is responsible for making available to us, on a timely basis, all of the City's original accounting records and related information and the City's personnel to whom we may direct inquiries.
Management Representation Letter	<p>We will make specific inquiries of management and others about the representations embodied in the annual financial statements.</p> <p>Management of the City will provide us with its written representations covering the annual financial statements from certain members of management on matters that are: (i) directly related to items that are material, either individually or in the aggregate, to these financial statements; (ii) not directly related to items that are material to these financial statements but are significant, either individually or in the aggregate, to the engagement; and (iii) relevant to management's judgments or estimates that are material, either individually or in the aggregate, to these financial statements. The results of our tests, the responses to our inquiries and the written representations obtained will comprise the evidential matter we intend to rely on in forming our audit opinions on these financial statements.</p>
Previous Auditors	To assist us in planning our audits, the City will authorize its previous auditors, Ernst & Young LLP, to allow us to review their working papers and to respond fully to our inquiries.

Fees for Audit Services

Fee Estimate	Our fees for the Audit Services as outlined in 3.0, Scope of Work, and in 5.3 Section 7, Cost of Service, of the City's request for proposal No. 9171-09-7137(RFP) will be \$750,000 in 2010, \$750,000 in 2011, \$805,000 in 2012, \$860,000 in 2013 and \$920,000 in 2014. These are fixed fees inclusive of all costs and expenses, but exclusive of applicable taxes. Fees are allocated to the City engagements as outlined in Appendix D of the RFP.
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Other Matters

City Preparation	Our time and fee estimates take into account the agreed upon level of preparation and assistance from the City's personnel. We will advise you on a timely basis when and if for any reason management does not provide such schedules, information and assistance as outlined in this letter and in the City's Responsibility section of the Appendix. In addition, should these or any other issues arise that will require an extra effort to resolve, we will communicate with management, the Auditor General and the Audit Committee in order to revise the fee estimate to reflect additional services, if any, required of us to complete our work.
Term – Agreement Continues in Force	In the event PricewaterhouseCoopers or the City does not exercise its respective rights to terminate the Agreement provided for herein, the Agreement shall continue in full force and effect for the year ending December 31, 2015 until such time as the Agreement is superseded or replaced by another agreement executed between PricewaterhouseCoopers and the City. It is understood by PricewaterhouseCoopers and the City that a specific agreement will be entered into with respect to audit and related services PricewaterhouseCoopers is to provide in each year, including an update to the agreed upon fees and billing schedule.
Termination by PricewaterhouseCoopers	Upon the completion of the services described in this letter for the year ending December 31, 2014, PricewaterhouseCoopers shall have the right to terminate the Agreement upon providing the City with ten (10) days' prior written notice and the City shall pay all fees for services provided by PricewaterhouseCoopers to the satisfaction of the City and in accordance with the Terms and Conditions of the Agreement up to the date of termination.
Termination by the City	The City shall have the right to terminate the Agreement upon providing PricewaterhouseCoopers with ten (10) days' prior written notice. In the event of termination by the City in accordance with this provision, the City shall pay PricewaterhouseCoopers for all fees for services provided to the satisfaction of the City prior to receipt of notice of termination.
Terms and Conditions	The Appendix sets forth additional terms and conditions, including rights and responsibilities of the parties with respect to this engagement.
Other relevant documents	The terms and conditions contained in the RFP No. 9171-09-7137 and the Proposal by PricewaterhouseCoopers in response to RFP No. 9171-09-7137 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency: <ol style="list-style-type: none">1. The Engagement letter;2. The Terms and Conditions to the engagement letter;3. Request for Proposal No. 9171-09-7137; and4. The Proposal by PricewaterhouseCoopers referred to above.

As part of PricewaterhouseCoopers' process of assessing the quality of its services, the City may receive questionnaires from PricewaterhouseCoopers and visits from senior partners not directly involved in providing services to the City. PricewaterhouseCoopers appreciates the attention given to these questionnaires and visits and values the City's commentary.

If the services outlined herein are in accordance with your requirements and if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.



Yours very truly,

Price Waterhouse Coopers LLP

Chartered Accountants

cc: Ms. Ulli S. Watkiss, City Clerk
Mr. Cam Weldon, Deputy City Manager and Chief Financial Officer

The services and terms as set forth in this letter, including the provisions of the Appendix, are agreed to.

City of Toronto



Marilyn M. Toft
for Ulli S. Watkiss
City Clerk

Ulli S. Watkiss, City Clerk



Authorized by item AU15.3. of the Audit Committee adopted by the Council of the City of Toronto on the 22nd and 23rd day of February, 2010.



Marilyn M. Toft for City Clerk

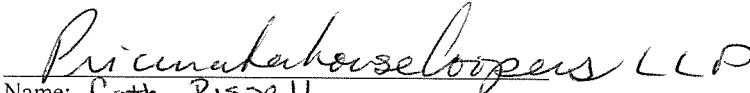
Date



G CARBONE FOR
Cam Weldon, Deputy City Manager and
Chief Financial Officer

Date

PRICEWATERHOUSECOOPERS LLP



Name: Cathy Russell
Title: Partner

Date

Nov 3, 2010

I have authority to bind the partnership

APPROVED AS TO FORM

For Anna Kinaszowski
City Solicitor

APPENDIX

TERMS AND CONDITIONS

The engagement letter and any amendments thereto (collectively, the Engagement Letter), together with the Appendix (the Appendix), (collectively, the Agreement), shall, once the Engagement Letter is executed by both parties, constitute the entire agreement between the City of Toronto (City) to which such Engagement Letter is addressed (the City) and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), a limited liability partnership organized under the laws of the Province of Ontario, regarding the services described in the Agreement (the Services). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Engagement Letter.

Timely Performance

- 1 In consultation with the City, PricewaterhouseCoopers will, acting reasonably, establish the timing of the performance of the Services. PricewaterhouseCoopers will use all reasonable efforts to complete the Services within any agreed upon time frame. However, PricewaterhouseCoopers shall not be liable for failures or delays in performance that arise from causes beyond its control, including the untimely performance by the City of its obligations, as set out in the City's Responsibility section below.

Right to Terminate Services

- 2 In addition to the termination rights contemplated under the Engagement Letter, should the City not fulfill its responsibilities to PricewaterhouseCoopers under the Agreement and, in the event that the City fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from PricewaterhouseCoopers to this effect, PricewaterhouseCoopers may, without prejudice to its other rights and recourses, and without any further notice, cease providing the Services and consider the Agreement terminated. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost or expenses arising out of, in connection with or resulting from such termination.
- 3 In addition to the termination rights contemplated under the Engagement Letter, should PricewaterhouseCoopers not fulfill its responsibilities to the City under the Agreement and, in the event that PricewaterhouseCoopers fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from the City to this effect, the City may, without prejudice to its other rights and recourses, and without any further notice, terminate the Agreement. Despite such termination the City shall provide payment for fees involved by PricewaterhouseCoopers for services performed to the satisfaction of the City prior to the date of termination. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost of expense arising out of, in connection with or resulting from such termination.

City's Responsibility

- 4 The City will provide and make available complete information and such other assistance as PricewaterhouseCoopers may require to enable PricewaterhouseCoopers to provide the Services. Such information will include, but not be limited to:
 - a) financial records and related data;
 - b) copies of all minutes of meetings of City council and other committees;
 - c) a schedule of all entities that are controlled by the City, those entities over which the City has significant influence and those entities that are under common control with the City (the Schedule of Group Structure);
 - d) a schedule of all other related parties as defined in The Canadian Institute of Chartered Accountants' Handbook Section 3840, "Related Party Transactions" (the Other Schedule), which will include, but not be limited to, directors, officers, senior members of management, immediate family members of such individuals and entities over which these individuals or entities are able to exert significant influence;
 - e) a schedule of all the transactions among the City, the entities referred to in the Schedule of Group Structure and the entities or individuals referred to in the Other Schedule during the reporting period; and
 - f) information relating to the recognition, measurement and disclosure of specific items, including, but not limited to:
 - i) an assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
 - ii) any plans or intentions that may affect the carrying value or classification of assets or liabilities;
 - iii) measurement and disclosure of transactions with related parties;
 - iv) an assessment of all areas of measurement uncertainty known to management
 - v) claims and possible claims, whether or not they have been discussed with the City's legal counsel;
 - vi) information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the City is contingently liable;
 - vii) information on whether the City has satisfactory title to assets;
 - viii) information on whether any liens or encumbrances on assets exist;
 - ix) information on whether any assets are pledged as collateral;
 - x) information relating to compliance with aspects of contractual agreements that may affect these financial statements; and
 - xi) information concerning subsequent events.

APPENDIX

TERMS AND CONDITIONS

- 5 The City will ensure that its staff and senior management are available to provide such information, materials and assistance, and that such City personnel will be qualified and have the appropriate skills and experience. If any of the City's personnel fail to perform as required, the City will make suitable additional or alternative personnel available.
- 6 The City will ensure timely communication to PricewaterhouseCoopers of all significant accounting, financial and internal control reporting matters.
- 7 The City will provide the Schedule of Group Structure to PricewaterhouseCoopers at the time of signing the Agreement and will notify PricewaterhouseCoopers of changes thereto within seven (7) days of such events occurring.
- 8 The City agrees that all information disclosed or to be disclosed to PricewaterhouseCoopers is or will, to the best of the City's knowledge, be true, accurate and not misleading in any material respect.
- 9 The City will maintain the existing quality of the City's accounting records during the engagement.
- 10 The City will provide PricewaterhouseCoopers and its staff with all office and other accommodation or workspace and facilities that PricewaterhouseCoopers may reasonably require to perform the Services.
- 11 The City will provide all schedules on the dates established by PricewaterhouseCoopers, acting reasonably and in consultation with the City. Schedules will be completed in an acceptable format, mathematically correct and in agreement with appropriate City records (e.g., general ledger accounts).
- 12 The City's personnel will provide all necessary assistance in obtaining timely responses to third party confirmation requests.
- 13 The City's personnel will prepare a trial balance in financial statement format, which will reference to supporting detailed working papers (by general ledger account number). All entries will be posted to this trial balance prior to PricewaterhouseCoopers' receiving it. Any post-closing entries will be minimal and posted to a final trial balance by the City's personnel. In addition, the City's personnel will prepare draft financial statements that agree with the trial balance and are internally referenced to supporting documentation (for cash flow statements and notes to the financial statements).
- 14 PricewaterhouseCoopers' performance of the Services is dependent on the City carrying out its responsibilities, as set out in this Agreement. PricewaterhouseCoopers shall not be responsible for any delay or any other consequences resulting from the City's failure to perform any of its obligations under this Agreement.
- 15 It is the City's responsibility to ensure that these financial statements, the auditors' report and other information in public documents that contain or incorporate by reference either full or summarized financial statements that we audited are accurately reproduced from the original.
- 16 The City agrees not to offer and not to permit its related parties to offer employment to or hire the lead engagement partner, the quality review partner (if such partner is involved in the provision of the Services) or any other PricewaterhouseCoopers person who provided more than ten (10) hours of audit, review or attest service, without first consulting with the lead engagement partner on any proposed offer of employment.

Electronic Mail (email) Communications

- 17 During the engagement, we may from time to time communicate electronically with each other. However, as the City is aware, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We shall not have any liability to each other arising from or in connection with the electronic communication of information to or from the City during or as a result of its electronic transmission outside of our electronic environments. If the communication relates to a matter of significance and there are concerns about possible effects of electronic transmission, such information should be restricted to hard copy transmission.
- 18 An electronic communication shall be of no legal effect until received and shall be deemed sent by the sender and received by the addressee when accessible at the email address provided to the sender by the addressee. The electronic signature of a party affixed to, associated with or contained in any electronic communication transmitted by the party shall constitute a valid reliable electronic signature and shall be sufficient to verify that such party signed the electronic communication and its content and had the authority to electronically sign and send the electronic communication and its content. This Agreement and any Schedule may be executed in counterparts, by fax or electronic communication, each of which is deemed to be an original and all of which together are deemed to be one and the same instrument.
- 19 The City approves that PricewaterhouseCoopers' staff may connect their PricewaterhouseCoopers' notebooks to the City's network to access the Internet and use PricewaterhouseCoopers' secure VPN utility to communicate directly with the PricewaterhouseCoopers network.

Personal Information Protection

- 20 The City hereby acknowledges and agrees that: (1) the City shall only provide PwC with access to, and PwC will otherwise collect, use and disclose, personal information (as defined in the applicable law) about the City and/or individuals in respect to whom the City collects, uses, holds or discloses personal information, as required to provide the services and deliverables hereunder (the Purposes); (2) the City has obtained all required consents, if any, for such activities, and shall otherwise disclose, transfer or grant access to such personal information only in compliance with applicable legislation regarding the protection of personal information; and (3) in addition to any other liability for breach of these Standard Terms and Conditions, the City shall indemnify and hold PwC, its partners, employees, authorized representatives and associated entities, harmless for any claim, demand, debt,

APPENDIX

TERMS AND CONDITIONS

action, or liability to any third party, including legal costs and disbursements, arising out of or in respect of any breach of the City's obligations under this paragraph. Subject to (2) above, PwC agrees that it will receive, collect, use, hold and disclose such personal information in compliance with all applicable legislation regarding the protection of personal information. Further, PricewaterhouseCoopers shall, upon demand, indemnify the City and its employees for any damages finally awarded as a result of any claim, demand, debt, action or liability to City or any City employee arising out of or in respect of any breach by PricewaterhouseCoopers of this Section with respect to personal information of the City's employees in connection with the Purposes, other than to the extent resulting from a breach by the City of this Section. The City further recognizes that PwC may send personal information outside of the country for the Purposes, including for process and storage by service providers, and that to the extent that any personal information is out of the country, it is subject to access by the regulatory authorities in, and to the laws of, those other jurisdictions

Fees and Payment

- 21 Fees quoted by PricewaterhouseCoopers are based on the assumption that there are:
- no significant new accounting issues that require a significant additional amount of time to resolve, other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP;
 - no significant changes in accounting policies or practices from those used in prior years, that could significantly impact the audit scope other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP ;
 - no significant changes or transactions that will occur prior to issuance of our report and that could significantly impact the audit scope assumed in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP; and
 - no material delays in providing PricewaterhouseCoopers with the information, assistance or resources required under this Agreement.
- 22 PricewaterhouseCoopers will render invoices as the work progresses. All invoices will be due for payment upon receipt.
- 23 In addition to its fees payable pursuant to this Agreement, PricewaterhouseCoopers will bill the City for all applicable taxes, whether presently in force or imposed in the future.

Indemnification for Misrepresentation by Management

- 24 The City hereby agrees to release and indemnify PricewaterhouseCoopers and its agents, partners and employees, and hold them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of the City's management, regardless of whether such person was acting in the City's interest. This release and indemnification and holding harmless will not operate where PricewaterhouseCoopers ought to have uncovered such misrepresentation but failed to, due to the negligence, wilful misconduct or dishonesty of PricewaterhouseCoopers, its partners and/or employees.

Working Papers

- 25 All working papers and files, methodologies, software, other materials, reports and work created, developed or performed by or for PricewaterhouseCoopers either before or during the course of performance of the Services, are the property of PricewaterhouseCoopers.

Reproduction of Financial Statements

- 26 With the exception of the publication requirements outlined in Sections 232,233,234, and 235 of the City of Toronto Act 2006, if the City intends to publish or reproduce, in printed form or electronically (e.g. on an internet web site), our Audit Reports together with these financial statements or otherwise make reference to PricewaterhouseCoopers in a document that contains other information, the City agrees to (a) provide us with a draft of such document to read, and (b) obtain our approval for inclusion of our Audit Reports, before the document is finalized and distributed. Where our Audit Reports are reproduced in any medium, the complete financial statements, including notes, must also be presented.

Confidential Information

- 27 PricewaterhouseCoopers agrees that all information received from the City, or otherwise learned by PricewaterhouseCoopers, during the course of the engagement is confidential information (Confidential Information). PricewaterhouseCoopers shall use the City's Confidential Information only for the purposes contemplated under the Agreement and shall not disclose such Confidential Information to any party without the City's prior written consent, provided that PricewaterhouseCoopers may disclose the City's Confidential Information to its partners, authorized representatives, subcontractors and employees (collectively, the PwC Authorized Personnel) on a need-to-know basis in connection with this Agreement as well as to those referred to in paragraphs 34, 35 and 37 of the Terms and Conditions of this Agreement. PricewaterhouseCoopers agrees to take measures to protect the confidentiality of the City's Confidential Information that, in the aggregate, are no less protective than those measures it uses to protect the confidentiality of its own confidential information. PricewaterhouseCoopers agrees to keep the City's Confidential Information in a reasonably secure location.

APPENDIX

TERMS AND CONDITIONS

- 28 Notwithstanding anything to the contrary contained in this Agreement, PricewaterhouseCoopers shall not be obligated to treat as confidential, or otherwise be subject to the restrictions on use, disclosure or treatment contained in this Agreement, any information disclosed by the City which:
- is rightfully known to PricewaterhouseCoopers on a non-confidential basis prior to its disclosure by the City;
 - is independently developed by PricewaterhouseCoopers without any reference to, use of, or reliance on, Confidential Information;
 - is or later becomes publicly available without violation of this Agreement; or
 - is lawfully obtained by PricewaterhouseCoopers from another party.

Assisting Firms

- 29 PricewaterhouseCoopers is member of a worldwide network of individual partnerships and companies, each of which is a separate legal entity. This Agreement is between the City and PricewaterhouseCoopers only. In the course of providing our Services we may, at our discretion, draw on the resources of another entity (whether or not incorporated) which carries on business under a name which includes all or part of the PricewaterhouseCoopers name or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the worldwide network of PricewaterhouseCoopers firms (together, including such entities' partners, members and employees, "PwC Affiliates").
- 30 Unless a PwC Affiliate is contracted by you or a group entity to provide any of the Services which are subject to this Agreement, provision of the Services remains the responsibility of PricewaterhouseCoopers alone and you will not bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Affiliate in respect of this Agreement or the Services. In these circumstances any PwC Affiliate who deals with you in the course of providing the Services does so on behalf of PricewaterhouseCoopers alone. The provisions of this clause have been stipulated by PricewaterhouseCoopers expressly for the benefit of PwC Affiliates. PwC Affiliates will have the right to rely on this clause as if they were parties to this Agreement and will have the right (subject to the discretion of the courts) to a stay in proceedings if you bring any claim against any PwC Affiliate in breach of this clause.

Consent to Production

- 31 PricewaterhouseCoopers, like other auditing and accounting firms, must, in conducting audits, meet professional standards and, as such, is regulated or overseen by various professional bodies, including various provincial Institutes of Chartered Accountants and the Ordre des comptables agréés du Québec. In addition, other regulatory or professional authorities (both in Canada and abroad), including the Office of the Superintendent of Financial Institutions and the Investment Industry Regulatory Organization of Canada, among others, have the right to inspect our files, including working papers and other work product relating to the Services (the Documents), to determine if professional standards have been met. The City hereby acknowledges that PricewaterhouseCoopers may from time to time, and in connection with such inspections of PricewaterhouseCoopers, receive requests or orders from such bodies to provide them with information and copies of such Documents. The City hereby consents to PricewaterhouseCoopers providing these Documents without further reference to, or authority from, the City.
- 32 These bodies, among others, may also have the right to conduct investigations of the City, including the Services provided. To the extent practicable, PricewaterhouseCoopers will advise management, the Auditor General and the Audit Committee of the City of any such investigation request or order prior to production of the Documents, except where prohibited by law from doing so. The City will reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such an investigation relating to the City.
- 33 Except where production of the Documents is required by the laws of any jurisdiction that govern over the City or PricewaterhouseCoopers, PricewaterhouseCoopers will use all reasonable efforts to refuse access to any document over which the City has expressly informed PricewaterhouseCoopers that the City asserts privilege. The City must mark any document over which the City asserts privilege as "PRIVILEGED". Any legal or other out-of-pocket expense incurred by PricewaterhouseCoopers in asserting privilege on the City's behalf will be charged to the City.
- 34 In the event PricewaterhouseCoopers is requested or authorized by the City or required by government regulation, subpoena or other legal process to produce its Documents or its personnel as witnesses with respect to the Services for the City, the City will, so long as PricewaterhouseCoopers is not a party to the proceeding in which the Documents are sought, reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such a request.

Governing Law

- 35 The Agreement shall be governed and construed in accordance with the laws of the Province of Ontario and shall be deemed in all respects to be an Ontario contract. The parties hereby agree to the jurisdiction of the courts of the Province of Ontario with respect to all matters arising under or by virtue of this Agreement.

Severability

- 36 If any of the provisions of this Agreement are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

APPENDIX

TERMS AND CONDITIONS

Other Matters

- 37 The failure of either party to insist on strict performance of the Agreement, or to exercise any option herein, shall not act as a waiver of any right, promise or option, but the same shall continue to be in full force and effect. No waiver of any term or provision or of any breach or default shall be valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any other term or provision or any subsequent breach or default of the same or similar nature.
- 38 The Agreement constitutes the entire agreement of the City and PricewaterhouseCoopers with respect to its subject matter and supersedes and replaces all other prior agreements and understandings, whether written or oral, between the City and PricewaterhouseCoopers, relating to the subject matter. On the termination of this Agreement for any reason including normal expiration, the provisions of this Agreement relating to indemnification shall survive the expiration and termination of this Agreement in addition to any other provision that survives by operation of law or which by its nature is intended to survive. This Agreement may not be modified, amended or superseded except by the City and PricewaterhouseCoopers in writing.
- 39 The City agrees that each engagement with PricewaterhouseCoopers for additional services will be subject to a separate engagement letter and the approval of the City's Audit Committee and City Council.

Appendix B: Draft auditor's report and draft financial statements

Appendix C: Management representation letter

[Please print on Zoo letterhead]

June 5, 2014

Michael Nicoló
PricewaterhouseCoopers LLP
North American Centre
5700 Yonge Street, Suite 1900
North York, Ontario M2M 4K7

We are providing this letter in connection with your audit of the financial statements of the Board of Management of the Toronto Zoo (“the Zoo”) as of December 31, 2013 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations, remeasurement gains and losses and the cash flows of the Zoo in accordance with Canadian public sector accounting standards.

Management’s responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 1, 2010. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with Canadian public sector accounting standards;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the Zoo is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intergovernmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies

We confirm that we have reviewed the Zoo's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the Zoo's particular circumstances to present fairly in all material respects its financial position, results of operations, remeasurement gains and losses and cash flows in accordance with Canadian public sector accounting standards. We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook Sections PS 4200 to PS 4270.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure material information relating to the Zoo, is made known to us.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside of the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors. The most recent meetings held were February 24, 2014;
- Additional information that you have requested from the Zoo for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by the Zoo with third parties have been properly reflected in the accounting records and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the Zoo involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the Zoo's financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Zoo's directors, officers or employees acting on the Zoo's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by the Zoo in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with the Zoo's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of the Zoo's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, and all the related party relationships and transactions.

The identity, relationship, balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by Canadian public sector accounting standards.

The list of related parties attached to this letter as Appendix A accurately and completely describes our related parties and the relationships with such parties.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets.

Receivables, other than contributions receivable accounted for in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 4220, Contributions Receivable, recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or

before the balance sheet date and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We confirm that contributions received in the year have been recognized as revenue in the appropriate fund and reflect restrictions placed on the use of the contributions by the donor.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which are contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300, Contingent Liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the balance sheet date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effect of the uncorrected misstatement in the financial statements, as summarized in the accompanying schedule (Appendix B), is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than that included in Appendix B.

The adjusted misstatement identified during your audit and summarized in the attached table (Appendix C) has been approved by the Zoo and adjusted in the financial statements.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Zoo.

All cash balances are under the control of the Zoo, free from assignment or other charges and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts which are not the property of the Zoo.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Zoo are included in the financial statements as at December 31, 2013.

Accounts receivable

All amounts receivable by the Zoo were recorded in the books and records.

Amounts receivable amounted to \$2,177,522 and are considered to be fully collectible.

Amounts receivable are not subject to discount, except for normal cash discounts, which are appropriately provided for.

All receivables were free from hypothecation or assignment as security for advances to the Zoo, except as hereunder stated.

The Zoo has disclosed to us all transfers of receivables (including securitizations) that have occurred during the year.

All contributions receivable that are recorded in the balance sheet are reasonably assured of collection and we have made you aware of all relevant facts and circumstances in making this determination. Recognized contributions receivable do not include any bequests.

Inventory

Inventories classified as held for resale and held for consumption in the financial statements are stated at the lower of cost or net realizable value, cost being determined on the basis of, with due provision recorded to reduce all damaged, wholly or partially obsolete, or unusable inventories to their estimated selling price less estimated cost to sell. Inventory quantities at the balance sheet dates were determined from physical counts or from the Zoo's perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at year-end. Liabilities for amounts unpaid are recorded for all items included in inventories at balance sheet dates, and all quantities billed to customers at those dates are excluded from the inventory balances.

Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.

The Zoo has chosen to recognize inventories and other contributions of materials and services. All recognized contributed materials and services have been recorded at fair value when the fair value can be reasonably estimated and they are used in the normal course of the organization's operations and would otherwise have been purchased. The amounts recorded as fair value represent management's best estimates of these amounts.

There have been no events conditions or changes in circumstances that indicate inventory held for consumption will no longer be used or consumed in the Zoo's operations.

Capital assets

All charges to capital asset accounts represented the actual cost of additions or the fair value at the date of contribution.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Capital assets owned by the Zoo are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date. During the year, we reviewed the appropriateness of the depreciation policy and estimate of useful lives for tangible capital assets, taking into account all pertinent factors. Any changes in our assessment from the prior year have been adequately disclosed and reflected in the financial statements.

There have been no events, conditions or changes in circumstances that indicate that a capital asset no longer contributes to the Zoo's ability to provide goods and services. We believe that the carrying amount of the Zoo's long-lived capital assets is fully recoverable in accordance with CPA CANADA Public Sector Accounting Handbook Section PS 4230, Capital Assets Held by Not-for-Profit Organizations.

Deferred revenue

All material amounts of deferred revenue meet the definition of a liability and were appropriately recorded in the books and records.

Contributions

We have recorded all contributions received during the period in the financial statements. We have disclosed the existence and nature of all external restrictions on material contributions received in the year.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since December 31, 2012, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation dated December 31, 2012 incorporates management's best estimates.

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The Zoo plans to continue to make frequent amendments to the pension or other post-retirement benefit plans, which may affect the amortization period of prior service cost.

All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed and considered in determining the plan expense and the estimated actuarial present value of accrued pension benefits and value of plan assets.

The Zoo's actuaries have been provided with all information required to complete their valuation as at December 31, 2012.

We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolations.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, Retirement Benefits and CPA Canada Public Sector Accounting Handbook Section PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits. In particular:

- The significant accounting policies that the Zoo has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250 and CPA Canada Public Sector Accounting Handbook Section PS 3255 are accurately and completely disclosed in the notes to the financial statements. Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the Zoo's borrowing rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- The assumptions included in the actuarial valuation are those that management Buck Consultants to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250.

In arriving at these assumptions, management has obtained the advice of Buck Consultants, but has retained the final responsibility for the assumptions.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

The percentage of the fair value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.

All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Statements of operations, changes in net assets and remeasurement gains and losses

All transactions entered into by the Zoo have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations, changes in net assets and remeasurement gains and losses.

Any changes to internal fund restrictions that are reflected in the financial statements, but not yet

approved by the Board of Directors will be approved prior to the Board of Directors approving the financial statements.

The accounting principles and policies followed throughout the year were consistent with prior year's practices (, except as disclosed in the financial statements).

Events after balance sheet date

We have identified all events that occurred between the balance sheet date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Yours truly,

Board of Management of the Toronto Zoo

John Tracogna, Chief Executive Officer

Robin Hale, Chief Operating Officer

Paul Whittam, Manager of Financial Services

Appendix D: Improvements proposed by the Accounting Standards Board and Public Sector Accounting Board

In April 2013, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued a statement of principles on Improvements to Not-for-Profit Standards. These principles are expected to be incorporated into future exposure drafts issued by each Board. The proposals would affect Part III of the CICA Handbook - Accounting, and the CICA Public Sector Accounting (PSA) Handbook including the PS 4200 series of Sections, to improve existing standards for financial reporting by NFPOs. The effects of these proposals would be significant. The timing of the exposure drafts and effective dates for individual standards has not yet been determined.

Key proposals affecting private and public sector NFPOs

- A contribution would be recognized as an asset when the NFPO has control of the contribution, would exercise that control if necessary and can reasonably estimate the amount to be received. A contribution would be recognized as revenue, except when the contribution gives rise to an obligation (liability).
- These proposals would replace the deferral and restricted fund methods with a different model of revenue recognition, resulting in significant changes to how contributions - including endowments - are accounted for. Accounting for contribution pledges could also be affected.
- A capital asset would be recognized by an NFPO regardless of the size of the NFPO.

Key proposals affecting private sector NFPOs

- The accounting for tangible capital assets would follow Part II of the CICA Handbook, including requirements for measurement and disclosure of held-for-sale assets. Additional guidance on the application of write-downs of tangible capital assets would be provided.
- Collections of works of arts and historical treasures would be accounted for at either cost or nominal value.
- Controlled NFPOs would be consolidated (excluding a large number of immaterial organizations) and controlled profit-oriented enterprises would be accounted for using the equity method.
- Financial statement presentation would follow the standards in Part II, requiring expenses by both function and object (nature).

Key proposals affecting public sector NFPOs (GNFPOs)

- The accounting for tangible capital assets, controlled and related entities, and financial statement presentation would follow the standards in the CICA PSA Handbook currently followed by governments and government organizations, removing current options available.
- The financial statements would require presentation of a “net debt” indicator (rather than net assets) and include a statement of change in net debt and budget information. This could be a significant presentation change for GNFPOs.

The full publication can be found at: <http://www.frascanada.ca/standards-for-not-for-profit-organizations/documents-for-comment/item73780.pdf>

Appendix E: Director Connect Newsletter

Appendix F: 2014 Federal budget – How it affects you and the charitable and not-for-profit sector

