

**Board of Management of  
the Toronto Zoo**

Financial Statements  
**December 31, 2014**

**DRAFT**

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

@@@, 2015

## **Independent Auditor's Report**

### **To the Directors of Board of Management of the Toronto Zoo**

We have audited the accompanying financial statements of Board of Management of the Toronto Zoo, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Board of Management of the Toronto Zoo as at December 31, 2014 and the results of its operations, its remeasurement gains and losses, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Chartered Professional Accountants, Licensed Public Accountants**

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## Board of Management of the Toronto Zoo

## Statement of Financial Position

As at December 31, 2014

	2014 \$	2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	5,314,480	8,968,593
Accounts receivable		
City of Toronto (note 3)	1,384,444	976,678
Toronto Foundation (note 11)	98,247	-
Trade	1,795,118	1,200,844
Inventories	568,303	589,725
Prepaid supplies	204,772	249,605
	<u>9,365,364</u>	<u>11,985,445</u>
<b>Capital assets - net (note 4)</b>	2,299,443	2,476,495
<b>Receivable from City of Toronto (note 3(c))</b>	11,526,178	11,308,050
	<u>23,190,985</u>	<u>25,769,990</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 3 and 16)	5,154,780	6,704,488
Deferred revenue (note 5)	4,135,947	4,149,664
Due to Toronto Foundation (note 11)	-	554,591
	<u>9,290,727</u>	<u>11,408,743</u>
<b>Employee future benefits payable (note 6)</b>	11,526,178	11,308,050
	<u>20,816,905</u>	<u>22,716,793</u>
<b>Net Assets</b>		
<b>Accumulated remeasurement gains</b>	9,690	2,381
<b>Internally restricted fund (note 7)</b>	2,364,390	3,050,816
	<u>2,374,080</u>	<u>3,053,197</u>
	<u>23,190,985</u>	<u>25,769,990</u>
<b>Commitments and contingencies (notes 14 and 15)</b>		

## Approved by the Board of Directors

\_\_\_\_\_ Director \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.

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## Board of Management of the Toronto Zoo

## Statement of Operations

For the year ended December 31, 2014

	2014	2013	
	Budget \$ (note 17)	Actual \$	Actual \$
<b>Revenue</b>			
Funding from City of Toronto			
General appropriation	11,443,387	11,443,387	11,648,288
Capital works contribution	171,000	167,600	-
Funding from deferred revenue	1,031,900	705,640	481,235
Admission	16,159,418	13,279,812	17,535,062
Membership	3,961,200	3,838,611	3,877,727
Food services	6,528,072	6,067,464	7,712,376
Gift shop operations	3,244,000	2,804,836	4,046,962
Parking	3,240,890	2,954,719	3,720,585
Rides and rentals	1,210,000	1,065,901	1,182,049
Education programs	909,396	936,970	870,086
Other revenue and recoveries	1,300,377	1,472,003	1,694,972
Development (note 12)	2,455,160	3,227,062	1,574,901
Interest	10,000	6,604	6,530
	<u>51,664,800</u>	<u>47,970,609</u>	<u>54,350,773</u>
<b>Expenses</b>			
Operations and administration	18,083,295	18,056,219	20,968,971
Conservation, education and wildlife	15,170,973	14,699,140	14,999,839
Marketing and communications	4,264,589	2,876,246	3,364,430
Food services	4,878,966	4,789,269	5,853,331
Gift shop operations	2,318,812	2,199,889	2,703,295
General management	4,772,905	3,034,537	3,217,702
Development	2,175,260	834,267	1,093,392
Amortization of capital assets	-	610,976	626,359
Post-employment benefits - net (note 6)	-	218,128	132,535
	<u>51,664,800</u>	<u>47,318,671</u>	<u>52,959,854</u>
<b>Excess of revenue over expenses before the following</b>	-	651,938	1,390,919
<b>Transfer to Toronto Foundation (note 11)</b>	-	(1,945,000)	(543,247)
<b>Transfer from Zoo Stabilization Reserve (notes 1, 3(b) and 10)</b>	-	904,486	-
<b>Transfer from City of Toronto related to change in employee future benefits payable (note 3(c))</b>	-	218,128	132,535
<b>Excess of revenue over expenses (expenses over revenue) for the year</b>	-	<u>(170,448)</u>	<u>980,207</u>

The accompanying notes are an integral part of these financial statements.

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## Board of Management of the Toronto Zoo

## Statement of Changes in Net Assets

For the year ended December 31, 2014

	2014			2013	
	Internally restricted \$ (note 7)	Unrestricted \$	Accumulated remeasurement gains \$	Total \$	Total \$
<b>Net assets - Beginning of year</b>	3,050,816	-	2,381	3,053,197	2,070,188
Excess of revenue over expenses (expenses over revenue) for the year	-	(170,448)	-	(170,448)	980,207
Interest on internally restricted fund (note 7)	6,604	(6,604)	-	-	-
Change in net assets invested in capital assets	(177,052)	177,052	-	-	-
Transfer of internally restricted funds to capital fund	(515,978)	-	-	(515,978)	-
Unrealized gains attributable to foreign exchange	-	-	7,309	7,309	2,802
<b>Net assets - End of year</b>	<b>2,364,390</b>	<b>-</b>	<b>9,690</b>	<b>2,374,080</b>	<b>3,053,197</b>

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**Board of Management of the Toronto Zoo**

## Statement of Remeasurement Gains and Losses

For the year ended December 31, 2014

	2014 \$	2013 \$
<b>Accumulated remeasurement gains (losses) - Beginning of year</b>	2,381	(421)
Unrealized gains attributable to foreign exchange	7,309	2,802
<b>Accumulated remeasurement gains - End of year</b>	<b>9,690</b>	<b>2,381</b>

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## Board of Management of the Toronto Zoo

## Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue) for the year	(170,448)	980,207
Add: Items not involving cash		
Transfer of internally restricted funds to capital fund	(515,978)	-
Amortization of capital assets	610,976	626,359
Employee future benefits payable	218,128	132,535
Unrealized gains attributable to foreign exchange	7,309	2,802
	<u>149,987</u>	<u>1,741,903</u>
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	(407,766)	2,399,327
Trade	(594,274)	259,127
Toronto Foundation	(98,247)	-
Inventories	21,422	(225,515)
Prepaid supplies	44,833	42,281
Receivable from City of Toronto	(218,128)	(132,535)
Accounts payable and accrued liabilities	(1,549,708)	(899,674)
Deferred revenue	(13,717)	527,921
Toronto Foundation	(554,591)	543,247
	<u>(3,220,189)</u>	<u>4,256,082</u>
<b>Capital activities</b>		
Purchase of capital assets	<u>(433,924)</u>	<u>(1,600,036)</u>
<b>Increase (decrease) in cash during the year</b>	<u>(3,654,113)</u>	<u>2,656,046</u>
<b>Cash - Beginning of year</b>	<u>8,968,593</u>	<u>6,312,547</u>
<b>Cash - End of year</b>	<u>5,314,480</u>	<u>8,968,593</u>

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

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### 1 Operations and relationship with the City of Toronto

The Board of Management of the Toronto Zoo (the Board) is a local board established by the City of Toronto (the City). The Board operates, manages and maintains the zoological gardens and related facilities known as the Toronto Zoo (the Zoo) under the terms of an agreement between the Board and the City. As defined within the City of Toronto Act, 1997, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs (note 3(b)).

The live collection of the Zoo is the property of the City and accordingly is not recorded in the accounts of the Board. The Board may transfer or loan specimen surpluses according to its needs, recording animal transactions at fair value. All these transactions are recorded through the Animal Transaction Reserve Fund held by the City (note 8). In addition, the City maintains an Endangered Species Reserve Fund for the Board (note 9).

The City established the Zoo Stabilization Reserve Fund in 1996 for the purpose of investing in revenue-generating activities of the Board, preparing for special events in advance of the budget year and offsetting revenue shortfalls. The Zoo Stabilization Reserve Fund is also recorded in the accounts of the City (note 10).

Major capital facilities are the property of the City. Consequently, major capital facilities are recorded in the accounts of the City and not in these financial statements (note 4). In addition, the Board contributes to the City's vehicle and insurance reserve and expenses these contributions as made. Contributions for the year amounted to \$333,000 (2013 - \$333,000) for the vehicle reserve and \$201,183 (2013 - \$201,183) for the insurance reserve, and are included within operations and administration on the statement of operations.

In 2012, the accreditation status of the Zoo was rescinded by the Association of Zoos and Aquariums (AZA). The AZA cited its decision was related to a governance matter resulting from a decision by Toronto City Council, overturning a previous Board decision. As a result, the Zoo has experienced some difficulties in transacting with other AZA accredited facilities in the areas of animal breeding loans related to the Species Survival Plans (SSP) and other animal acquisition requests on a case by case basis. At the same time, other AZA accredited facilities could request the return of animals or species currently on loan to the Zoo. Toronto Zoo management is working toward reinstatement of its AZA accreditation.

The Board is a registered charity and as such is not subject to income taxes.

### 2 Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) including the accounting standards that apply only to government not-for-profit organizations, as issued by the Canadian Public Sector Accounting Board, and include the following significant accounting policies.

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

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### Revenue recognition

Revenue from admissions and other related services is recognized at point of sale. The Board follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized.

Memberships sold cover either a one or two-year period from the time of purchase. The related membership revenue is recognized in the statement of operations based on amortization of the membership fees collected.

Education programs revenue is recognized once services have been provided and payment is received.

### Cash

Cash represents cash in the bank. There are no restrictions on the cash balances held at the financial institution.

### Inventories

Inventories consist of gift shop merchandise and are recorded at the lower of cost, recorded on a first-in, first-out basis, and net realizable value.

The cost of gift shop merchandise sold recognized in the statement of operations for the year amounts to \$1,282,193 (2013 - \$1,704,970).

### Capital assets

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

Computer equipment	3 years
Other equipment and animal structures	5 - 10 years
Furniture	10 years

### Impairment of capital assets

The Board reviews the carrying amount, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

### Contributed materials and services

Agreements are entered into with corporate sponsors whereby the sponsors provide products, advertising or entertainment support to the Zoo. In return, consideration is provided in a number of diverse ways, including specific rights to events and promotional activities or advertising recognition. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

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### Employee future benefits

The Board has adopted the following policies with respect to employee future benefit plans:

- the Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- the costs of termination benefits and non-vesting and non-accumulating compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future compensation payments, health-care continuation costs and fees paid to the independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs;
- past service costs from plan amendments are recognized in the period incurred;
- employee future benefit liabilities are discounted using the City's cost of borrowing; and
- net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

### Derivative financial instruments

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

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

As at December 31, 2014 and 2013, there were no derivative financial instruments outstanding.

### Financial assets and liabilities

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

Financial assets measured at amortized cost include cash, accounts receivable and long-term receivable from the City. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Transaction costs are capitalized and amortized on an effective interest rate basis over the useful life of the related financial instrument.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction dates. Revenue and expenses are translated at the exchange rates on the date of the transaction. Realized exchange losses of \$16,367 (2013 - losses of \$20,396) are included in the statement of operations. Unrealized foreign exchange losses are included in the statement of remeasurement gains and losses.

### Use of estimates

The preparation of these financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 3 Related party transactions - City of Toronto

- a) In the normal course of operations, the Board incurs costs for various expenses payable to the City such as hydro, legal and other administration costs. Transactions between the City and the Board are made at the agreed on exchange amount. In addition, the Board manages on behalf of the City the capital program for the Zoo. As a result, the Board will incur capital expenses that are recoverable from the City and these expenses comprise a large component of the year-end receivable with the City.
- b) As part of the terms of the agreement between the Board and the City, any operating excess or deficiency is to be transferred to or recovered from the City (note 1). These amounts are included in current accounts receivable from the City or payable to the City and the changes during the year are as follows:

	2014 \$	2013 \$
Due (to) the City related to operating expenses - Beginning of year	(878,471)	(878,471)
Amounts paid by the City during the year	-	-
Excess funding receivable from the City	904,486	-
	<hr/>	<hr/>
Due from (to) the City related to operating expenses - End of year	26,015	(878,471)

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

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- c) The Board has recorded a non-interest bearing, long-term receivable in connection with the expected recoveries of employee benefit costs (note 6) from the City, since the City is ultimately responsible for any deficit the Board incurs.
- d) In the normal course of operations, the Board purchases hydro energy services from Toronto Hydro, which is a related party by virtue of its relationship with the City. In the current year, services purchased from Toronto Hydro during the year amounted to \$1,532,478 (2013 - \$1,433,528). The amount payable to Toronto Hydro at year-end was \$148,639 (2013 - \$157,926).

### 4 Capital assets

The live collection of the Zoo and the major capital facilities are the property of the City. The City, through its capital works program, financed approximately \$3,192,543 (2013 - \$4,673,152) of capital improvements to the Zoo during the year. Since the capital facilities are not an asset of the Board, these amounts have not been recorded in these financial statements.

Capital assets consist of the following:

	<b>2014</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Computer equipment	174,630	169,637	4,993
Other equipment and animal structures	5,984,272	3,886,993	2,097,279
Furniture	359,205	162,034	197,171
	<b>6,518,107</b>	<b>4,218,664</b>	<b>2,299,443</b>
	<b>2013</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Computer equipment	174,630	164,644	9,986
Other equipment and animal structures	5,612,495	3,316,931	2,295,564
Furniture	297,058	126,113	170,945
	<b>6,084,183</b>	<b>3,607,688</b>	<b>2,476,495</b>

### 5 Deferred revenue

Deferred revenue includes the amount of funds that has been received from membership operations and specific grant-based operating projects the Board has not yet expended.

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## Board of Management of the Toronto Zoo

## Notes to Financial Statements

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The changes for the year in the deferred revenue balance are as follows:

	2014 \$	2013 \$
Balance - Beginning of year	4,149,664	3,621,743
Amounts received and deferred	3,630,426	3,579,367
Amounts recognized	(3,644,143)	(3,051,446)
	<hr/>	<hr/>
Balance - End of year	4,135,947	4,149,664

## 6 Employee benefits

The Board has a number of defined benefit plans providing pension, sick leave, gratuity benefits and other retirement and post-employment benefits, including health, dental, life insurance and long-term disability benefits to certain employees. Information about the Board's defined benefit plans, other than the multi-employer defined benefit plan, has been noted, in aggregate, below.

	2014 \$	2013 \$
Sick leave	3,110,046	2,873,260
Other retirement and post-employment benefits	10,041,073	8,753,616
	<hr/>	<hr/>
Total accrued benefit obligations	13,151,119	11,626,876
Unamortized actuarial loss	(1,624,941)	(318,826)
	<hr/>	<hr/>
Total employee future benefits payable	11,526,178	11,308,050

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Board's employment. The liability for the accumulated sick leave days represents the extent to which the eligible employees' accumulated sick leave has vested and could be taken in cash by them on termination.

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

	2014 \$	2013 \$
Balance - Beginning of year	11,626,876	11,791,679
Current service costs	467,537	487,848
Interest cost	426,197	394,673
Benefits paid	(709,075)	(799,845)
Actuarial gain (loss)	1,339,584	(247,479)
	<hr/>	<hr/>
Balance - End of year	13,151,119	11,626,876

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## Board of Management of the Toronto Zoo

## Notes to Financial Statements

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

	2014 \$	2013 \$
Current service costs	467,537	487,848
Interest cost	426,197	394,673
Amortization of actuarial gain	33,469	49,859
	<u>927,203</u>	<u>932,380</u>

For purposes of the financial statement presentation, these expenses are included in the figures in the statement of operations. These expenses are not included in the budget numbers, as they are not part of the financial planning process with the City and as such they result in an excess (deficiency) of revenue over expenses from budget.

Estimated payments made during the year are as follows:

	2014 \$	2013 \$
Sick leave	208,160	286,166
Other retirement and post-employment benefits	500,915	513,679
	<u>709,075</u>	<u>799,845</u>

The net expense recorded by the Zoo for its post-employment benefit expense less estimated benefits paid during the year is as follows:

	2014 \$	2013 \$
Total expenses	927,203	932,380
Estimated benefits paid	<u>(709,075)</u>	<u>(799,845)</u>
	<u>218,128</u>	<u>132,535</u>

The benefit plans, as noted above, are all unfunded; however, the Board participates in reserve funds established by the City. The amounts contributed to these reserve funds during the year were \$2,015,226 (2013 - \$1,864,715) and are included in the statement of operations.

Due to complexities in valuing the liabilities, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed on December 31, 2012. The next actuarial valuation is planned for December 31, 2015.

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# Board of Management of the Toronto Zoo

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

	2014 %	2013 %
Discount rate for accrued benefit obligations		
Sick leave	3.2	4.1
Other retirement and post-employment benefits	2.8 - 3.4	3.6 - 4.4
Discount rate for accrued benefit costs		
Sick leave	3.2	4.1
Other retirement and post-employment benefits	2.8 - 3.4	3.6 - 4.4
Rate of compensation increase	3.0	3.0

For measurement purposes, a 6% (2013 - 6.4%) annual rate of increase in the per capita cost of covered health-care benefits was assumed. The rate is assumed to decrease gradually to 4.0% by 2020 and remain at that level thereafter.

In addition to the above-noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund, which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total employer contributions for the year ended December 31, 2014 amounted to \$1,883,935 (2013 - \$1,754,384).

### 7 Internally restricted fund

Details of the internally restricted net assets are as follows:

	2014 \$	2013 \$
Invested in capital assets	2,299,443	2,476,495
Ride & Revenue Development project	64,947	574,321
	2,364,390	3,050,816

The Board has internally restricted \$64,947 (2013 - \$574,321) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

### 8 Animal Transaction Reserve Fund

The Animal Transaction Reserve Fund is a fund of the City and is not recorded in these financial statements. The purpose of the Animal Transaction Reserve Fund is to accumulate all funds earned from animal disposition activity, which are available to the Zoo to be used to finance any net cost of animal acquisitions. Details of the Animal Transaction Reserve Fund are as follows:

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

	2014 \$	2013 \$
Balance - Beginning of year	51,955	92,711
Revenue		
Revenue from animal dispositions	28,327	13,000
Interest earned	5,595	5,795
Expenses		
Animal acquisitions	(70,049)	(59,551)
Balance - End of year	<u>15,828</u>	<u>51,955</u>

### 9 Endangered Species Reserve Fund

The Endangered Species Reserve Fund is a fund of the City and is not recorded in these financial statements. The Endangered Species Reserve Fund was established for the purpose of funding conservation, education and research projects for the preservation of endangered species. Details of the Endangered Species Reserve Fund are as follows:

	2014 \$	2013 \$
Balance - Beginning of year	912,342	889,389
Revenue		
Interest earned	18,319	17,628
Donations, grants and wishing wells	44,302	48,379
Expenses		
Services and rentals	(21,137)	(43,054)
Balance - End of year	<u>953,826</u>	<u>912,342</u>

### 10 Zoo Stabilization Reserve Fund

The Zoo Stabilization Reserve Fund is a fund of the City and is not recorded in these financial statements. The City established the Zoo Stabilization Reserve Fund for the purpose of investing in revenue generating activities, preparing for special events in advance of the budget year and offsetting revenue shortfalls with the objective of reducing the Zoo's reliance on the City's tax levy. For years beginning after December 31, 2004, any excess funds are to be transferred to the City, unless approved otherwise, as a transfer to the Zoo Stabilization Reserve Fund.

In the 2013 budget, the City granted the Zoo a five-year exemption starting in 2013, to allow operating surpluses to be contributed to the Zoo Stabilization Reserve Fund. These contributions are to be applied to any unforeseen year-end operating deficits during the five-year period. Any unapplied contributions are to be transferred to the Animal Transaction Reserve Fund at the end of the five years. As a result of the 2014 operations, the Zoo withdrew \$904,486 (2013 - \$nil) from the Zoo Stabilization Reserve Fund.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

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# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2014

Details of the movements in the Zoo Stabilization Reserve Fund are as follows:

	2014 \$	2013 \$
Balance - Beginning of year	2,938,402	-
Contributions	-	2,938,402
Interest earned	35,659	-
Withdrawals	(904,486)	-
	<hr/>	<hr/>
Balance - End of year	2,069,575	2,938,402

### 11 Toronto Foundation

In an agreement between the Board and the dissolved Toronto Zoo Foundation, the Toronto Zoo Foundation's financial assets of \$6,293,769 were transferred to the Toronto Foundation (the Foundation). The Foundation performs a financial stewardship role and administers the funds in accordance with the terms of the trust agreement between the Foundation and the Board.

The value of funds administered by the Foundation as at December 31 is outlined below:

	2014 \$	2013 \$
Donor restricted funds	2,636,623	2,370,496
Internally restricted	3,139,721	2,823,781
Unrestricted	3,500,948	3,148,675
Development	32,650	29,365
	<hr/>	<hr/>
	9,309,942	8,372,317

The Board and the Foundation entered into a Trust Distribution Agreement on May 29, 2009, which defines how the trust property is distributed to the Zoo and the reporting requirements for the parties.

A separate development fund agreement between the Foundation and the Board, effective August 17, 2010, outlines the process relating to funds raised subsequent to this date by the development division of the Zoo and transferred to the Foundation, to be held by this organization on behalf of, and for the future use of, the Zoo.

The value of the funds governed under the development fund agreement was \$4,455,148 (2013 - \$1,565,870). The Board approved a transfer of \$2,000,000 during 2014 to the development fund of the Foundation and as at December 31, 2014 the transfer amounted to \$1,945,000 equal to the value of an estate donation received. The net activities between the Board and the Foundation have resulted in a receivable of \$98,247 (2013 - payable of \$554,591), which is reflected in the statement of financial position.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

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# Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2014

## 12 Development activities

During the year, the development activities for the Zoo are as follows:

	2014 \$	2013 \$
Contributions	3,992,581	2,192,603
Deferred revenue	(765,519)	(617,702)
	<hr/>	<hr/>
Development revenue	<u>3,227,062</u>	<u>1,574,901</u>

Contributions received for program expenses not yet incurred are reflected in deferred revenue on the statement of financial position. Included in deferred revenue as at December 31, 2014, the amount of deferred development contributions is \$2,040,794 (2013 - \$1,616,816).

## 13 Financial risk management

The main risks to which the Zoo's financial instruments are exposed are as follows:

### Currency risk

The Zoo is exposed to foreign currency risk between the Canadian dollar and foreign currency (US dollar).

Financial instruments subject to foreign currency risk include cash, accounts receivable and accounts payable and accrued liabilities.

The Zoo does not use derivative instruments to reduce its exposure to foreign currency risk. The Zoo believes it has low exposure to currency risk given the low magnitude and volume of foreign currency transactions.

### Liquidity risk

Liquidity risk is the inability of an entity to meet its current obligations from the proceeds of current assets.

The Zoo believes it has moderate exposure to liquidity risk given the value of accounts payable and accrued liabilities.

### Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Zoo provides an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2014, the harmonized sales tax recoverability amount represents 90% of the total trade accounts receivable balance (2013 - 70%).

The Zoo believes it has low exposure to credit risk.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
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**Board of Management of the Toronto Zoo**

Notes to Financial Statements

December 31, 2014

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**14 Capital expenditures commitment**

As at December 31, 2014, the Board was contractually committed for \$671,661 in capital expenditures. Payment of these commitments is expected in 2015, based on management's best estimate.

**15 Contingencies**

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

**16 Pay equity**

An accrual for pay equity amounts due to employees and former employees of \$65,259 (2013 - \$98,650) is included in accounts payable and accrued liabilities. Any increase or decrease to this accrual for pay equity has no impact on the excess revenue over expenses since there is an equal and offsetting adjustment to the transfer of funding to the City.

**17 Budgeted figures**

The budgeted figures presented in the statement of operations have been obtained from the 2014 budget approved by the Council of the City of Toronto.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
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