
Board of Management of the Toronto Zoo

*2018 year-end
report to the
Policy & Finance
Committee*

*Prepared as of
May 9, 2019*





May 9, 2019

Members of the Policy & Finance Committee
Board of Management of the Toronto Zoo
361A Old Finch Avenue
Toronto ON M1B 5K7

Dear Members of the Policy & Finance Committee:

We have substantially completed our audit of 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 (PSAS) for the year ended December 31, 2018 (referred to as "financial statements" from now on). 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 A.

We prepared 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 audit, accounting and financial reporting matters dealt with during the audit process.

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

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to your meeting on May 16, 2019. If you have any questions or concerns prior to the Policy & Finance Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
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Appendices

Appendix A: Draft auditor's report

Appendix B: Management representation letter

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. 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. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

1. *Executive summary*



The Executive Summary sets out the key matters to make your review easier.

Status of the audit

We have substantially completed our audit of the 2018 financial statements (the financial statements).

Our report includes the required communications between an auditor and the Policy & Finance Committee.

We have included our draft auditor's report, which reflects the enhanced auditor reporting standards effective for years ending on or after December 15, 2018 in Appendix A.

Outstanding items

The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

1. Legal updates and subsequent events procedures;
2. Receipt of signed management representation letter; and
3. Board of Management' approval of the financial statements.

Materiality

We set our materiality at \$1,450,000 based on 3% of expenses. Our threshold to report any adjusted and unadjusted amounts to the Committee is \$145,000.

2. Significant audit, accounting and financial reporting matters



We share our views on significant matters that can have an impact on financial reporting and disclosures.

To prepare the financial statements, management needs 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 company's reported results.

We are responsible for discussing with the Policy & Finance Committee our views about the significant qualitative aspects of the company's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, we will explain to the Committee why we consider a significant accounting practice, which is acceptable under the applicable financial reporting framework, to not be the most appropriate to your entity's circumstances.

We are sharing our views with you to facilitate an open dialogue. Consider our comments and views in this report in the context of the financial statements taken as a whole, and not as an opinion on any individual item or accounting estimate.

Risk of fraud in revenue recognition
(significant risk)

Background information

Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all entities.

PwC's approach

In order to address the risk of fraud in revenue recognition, we performed the following procedures:

- Obtained an understanding regarding the nature of all revenue streams;
- Obtained a confirmation on from City of Toronto on funding for the period January 1, 2018 - December 31, 2018; and
- On a sample basis, traced selected revenue transactions from the revenue listing to the supporting payments received to ensure revenue was appropriately recognized.

We did not note any matters to bring to your attention.

Risk of material misstatement due to management override (significant risk)

Background information

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.

PwC's approach

To address the risk of management override of controls, and as part of our fraud procedures, we performed the following:

- Obtained an understanding of the organization's financial reporting processes and the controls over major business processes;
- Identified risk criteria specific to the organization to scope in journal entries for testing;
- Used our proprietary data analytics tool, Halo, to identify journal entries based on risk criteria and tested them to supporting documentation to determine validity;
- Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and
- Incorporated an element of unpredictability into the current year audit procedures. For the current year, we tested the existence of a sample of vendors and related transactions.

As a result of the testing performed above, there were no matters to bring to your attention.

Related party transactions

Background information

Related party transactions occur between the City and the Zoo. These include transactions such as receipt of operating funding and other charges, representing a significant portion of the Zoo's revenue. In addition, there is a number of 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.

PwC's approach

To address the above risk, we performed the following:

- We obtained an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Zoo as disclosed in the organization's financial statements; and
- We have also reviewed the related party note disclosure with respect to the relationship, transactions and balances with the City and it appears to be complete and accurate.

As noted previously, the reconciliation between the Zoo's book and City of Toronto's confirm is outstanding at the time of issuing our report.

As a result of the testing performed above, there were no matters to bring to your attention.

3. Other required communications



Canadian Auditing Standards require that the external auditor communicate certain matters to the Policy & Finance that may assist you in overseeing management's financial reporting and disclosure process.

Below is a summary of matters to be communicated.

We are required to disclose certain items to you.

Matter to be communicated	Our response
Management's representations	<p>We need to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.</p> <p>We requested our standard representations.</p>
Significant deficiencies in internal control	<p>We have no significant internal control recommendations to report.</p>
Employee future benefits	<p>We have obtained the actuarial report as of December 31, 2018 from the Zoo's external actuary, Morneau Shepell. Using this report, we tested the accuracy of information provided by management to the actuary to use in their report. We also engaged our internal specialist to review the reasonableness of the assumptions used in calculating the post-retirement benefits liability. The results of this testing are outstanding at the time of mailing.</p>
Fraud and illegal acts	<p>No fraud involving senior management or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention.</p> <p>We would like to reconfirm that the Policy & Finance Committee is not aware of any such fraud or illegal acts not previously discussed with us.</p>
Non-compliance with laws and regulations	<p>During our audit, we did not identify any non-compliance with laws and regulations.</p>
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to confirm that the Policy & Finance Committee is not aware of any other subsequent events that might after the financial statements.</p>

Appendix A: Draft auditor's report

Appendix B: Management representation letter

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