

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

Financial Statements  
**December 31, 2012, December 31, 2011  
and January 1, 2011**



April 11, 2013

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Board of Management of the Toronto Zoo, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers LLP  
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7  
T: +1 416 218 1500, F: +1 416 218 1499*

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



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Management of the Toronto Zoo as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations, changes in its net assets, accumulated remeasurement losses and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Board of Management of the Toronto Zoo

## Statements of Financial Position

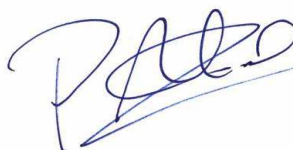
	December 31, 2012 \$	December 31, 2011 \$ (note 2)	January 1, 2011 \$ (note 2)
<b>Assets</b>			
<b>Current assets</b>			
Cash	6,312,547	5,783,120	7,529,841
Accounts receivable			
City of Toronto (note 4)	3,376,005	3,060,572	2,720,744
Trade	1,459,971	1,231,306	298,453
Toronto Community Foundation (note 12)	-	730,226	230,649
Inventories	364,210	424,132	432,395
Prepaid supplies	291,886	273,430	269,325
	<u>11,804,619</u>	<u>11,502,786</u>	<u>11,481,407</u>
<b>Capital assets - net (note 5)</b>	1,502,818	1,973,020	2,422,905
<b>Receivable from City of Toronto (note 4(c))</b>	<u>11,175,515</u>	<u>10,930,346</u>	<u>10,747,816</u>
	<u>24,482,952</u>	<u>24,406,152</u>	<u>24,652,128</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (notes 4 and 16)	7,615,506	6,293,158	5,967,120
Deferred revenue (note 6)	3,621,743	3,758,526	4,079,683
	<u>11,237,249</u>	<u>10,051,684</u>	<u>10,046,803</u>
<b>Employee future benefits payable (note 7)</b>	<u>11,175,515</u>	<u>10,930,346</u>	<u>10,747,816</u>
	<u>22,412,764</u>	<u>20,982,030</u>	<u>20,794,619</u>
<b>Net Assets</b>			
<b>Unrestricted accumulated remeasurement losses</b>	(421)	-	-
<b>Internally restricted fund (note 8)</b>	<u>2,070,609</u>	<u>3,424,122</u>	<u>3,857,509</u>
	<u>2,070,188</u>	<u>3,424,122</u>	<u>3,857,509</u>
	<u>24,482,952</u>	<u>24,406,152</u>	<u>24,652,128</u>

**Commitments and contingencies** (notes 14 and 15)

**Approved by the Board of Directors**



Chair



Vice-Chair

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

# Board of Management of the Toronto Zoo

## Statements of Operations

For the years ended December 31, 2012 and December 31, 2011

	<b>2012</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
	(Unaudited)	<b>Actual</b>
		<b>\$</b>
<b>Revenue</b>		
Funding from City of Toronto		
General appropriation	11,110,723	11,108,000
Capital works contribution	171,000	171,000
Funding from deferred revenue	985,354	954,951
Admission	12,425,002	12,255,672
Membership	3,445,932	3,398,284
Food services	5,863,628	6,049,073
Gift shop operations	3,044,000	2,589,029
Parking	2,913,557	3,023,559
Rides and rentals	1,143,000	795,863
Education programs	888,511	798,475
Other revenue and recoveries	1,200,837	1,918,536
Interest	-	16,688
Development (note 13)	2,324,160	576,145
	<u>45,515,704</u>	<u>43,655,275</u>
		<u>42,330,832</u>
<b>Expenses</b>		
Operations and administration	16,885,554	17,125,311
Conservation, education and wildlife	13,898,163	14,212,116
Marketing and communications	3,447,582	3,131,091
Food services	4,625,388	4,914,508
Gift shop operations	2,176,862	1,998,448
General management	2,140,868	2,011,982
Amortization of capital assets	-	493,488
Development	2,341,287	963,202
	<u>45,515,704</u>	<u>44,850,146</u>
		<u>43,417,748</u>
<b>Excess of expenses over revenue before the following</b>	-	(1,194,871)
<b>Transfer to Toronto Community Foundation</b> (note 12)	-	-
<b>Additional subsidy required from City of Toronto</b> (notes 1 and 4(b))	-	496,189
<b>Transfer from City of Toronto related to change in employee future benefits payable</b> (note 4(c))	-	245,169
<b>Excess of expenses over revenue for the year</b>	-	(453,513)
		<u>(433,387)</u>

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

# Board of Management of the Toronto Zoo

## Statements of Changes in Net Assets

For the years ended December 31, 2012 and December 31, 2011

	<b>2012</b>		
	<b>Internally restricted \$ (note 8)</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Net assets - Beginning of year</b>	3,424,122	-	3,424,122
Excess of expenses over revenue for the year	-	(453,513)	(453,513)
Interest on internally restricted fund (note 8)	16,688	(16,688)	-
Change in net assets invested in capital assets	(470,201)	470,201	-
Transfer of internally restricted funds to capital fund	(900,000)	-	(900,000)
Accumulated remeasurement losses	-	(421)	(421)
<b>Net assets - End of year</b>	<b>2,070,609</b>	<b>(421)</b>	<b>2,070,188</b>
	<b>2011</b>		
	<b>Internally restricted \$ (note 8)</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Net assets - Beginning of year</b>	3,857,509	-	3,857,509
Excess of expenses over revenue for the year	-	(433,387)	(433,387)
Interest on internally restricted fund (note 8)	16,498	(16,498)	-
Change in net assets invested in capital assets	(449,885)	449,885	-
<b>Net assets - End of year</b>	<b>3,424,122</b>	<b>-</b>	<b>3,424,122</b>

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

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

### Statements of Remeasurement Gains and Losses

For the years ended December 31, 2012 and December 31, 2011

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	2012 \$	2011 \$
<b>Accumulated remeasurement losses - Beginning of year</b>	-	-
Unrealized losses attributable to foreign exchange	(421)	-
<b>Accumulated remeasurement losses - End of year</b>	<u>(421)</u>	<u>-</u>

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

# Board of Management of the Toronto Zoo

## Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

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	2012 \$	2011 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of expenses over revenue for the year	(453,513)	(433,387)
Add: Items not involving cash		
Transfer of internally restricted funds to capital fund	(900,000)	-
Amortization of capital assets	493,488	540,312
Accumulated unrealized losses	(421)	-
	<hr/>	<hr/>
	(860,446)	106,925
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	(315,433)	(339,828)
Trade	730,226	(932,853)
Due from Toronto Community Foundation	(228,665)	(499,577)
Inventories	59,922	8,263
Prepaid supplies	(18,456)	(4,105)
Accounts payable and accrued liabilities	1,322,348	326,038
Deferred revenue	(136,783)	(321,157)
	<hr/>	<hr/>
	552,713	(1,656,294)
<b>Capital activities</b>		
Purchase of capital assets	(23,286)	(90,427)
	<hr/>	<hr/>
<b>Increase (decrease) in cash during the year</b>	529,427	(1,746,721)
<b>Cash - Beginning of year</b>	5,783,120	7,529,841
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<b>Cash - End of year</b>	6,312,547	5,783,120
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The accompanying notes are an integral part of these financial statements.



# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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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 4(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 trades and sells specimen surpluses according to its needs, recording animal trades at fair value. All these transactions are recorded through the Animal Transaction Reserve Fund held by the City (note 9). In addition, the City maintains an Endangered Species Reserve Fund for the Board (note 10).

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 11).

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 5). 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 (2011 - \$333,000) for the vehicle reserve and \$201,183 (2011 - \$198,615) for the insurance reserve, and are included within operations and administration on the statements of operations.

During the year, the accreditation status of the Zoo was rescinded by the Association of Zoos and Aquariums (AZA). The AZA stated their decision was entirely due to governance matters and the decision by Toronto City Council, overturning a previous Board decision, regarding the transfer of elephants to another facility. The Zoo may experience 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 towards reinstatement of its AZA accreditation.

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

### 2 Basis of accounting and transition to Public Sector Accounting Standards

In 2010, The Canadian Institute of Chartered Accountants (CICA) Handbook - Public Sector was revised to include accounting standards that apply only to government not-for profit organizations, to allow government not-for-profit organizations the choice to apply such standards in addition to Public Sector Accounting Standards (PSAS), or PSAS alone, effective for the years beginning on or after January 1, 2012.

Effective January 1, 2012, the Board elected to adopt PSAS, including the accounting standards that apply only to government not-for-profit organizations as issued by the Canadian Public Sector Accounting Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect, except for the transitional exemption described in this note below.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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In preparation of these financial statements, the Board has early adopted PS 3450, Financial Instruments, and the associated standards of PS 1201, Financial Presentation, and PS 2601, Foreign Currency Translation. These specific standards have been applied prospectively from January 1, 2012 in accordance with the transition provisions of these standards as these are the first PSAS financial statements for the Board.

### Transitional impact

The impact of the transition to PSAS on the net assets at the date of transaction, January 1, 2011, and the comparative annual excess of expenses over the revenue for the year is presented below. These accounting changes have been applied retroactively with restatement of prior periods subject to the transitional exemption noted below.

The following adjustments were made by the Board on transition to PSAS:

### Statements of financial position

Below is the reconciliation of the employee future benefits payable:

		\$	
Net assets as at December 31, 2010, as previously reported	3,857,509		
Remeasurement of employee future benefit payable	(109,971)		
Remeasurement of employee future benefit receivable	109,971		
	<u>3,857,509</u>		
Opening net assets as at January 1, 2011 under PSAS		<u>3,857,509</u>	
	<b>December 31,</b>		<b>January 1,</b>
	<b>2011</b>		<b>2011</b>
	\$		\$
Employee future benefits payable, as previously reported	10,889,830		10,637,845
Discount rate (i)	(72,932)		(74,915)
Initial recognition of unamortized gains/losses (iii)	70,112		134,202
Past service costs (iii)	43,336		50,684
	<u>10,930,346</u>		<u>10,747,816</u>

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### Statement of operations

	December 31, 2011 \$
Excess of expenses over revenue for the year as originally reported	(1,156,371)
Adjustments to the excess of income over expenses for the year	
Employee future benefits	
Discount rate (i)	72,932
Initial recognition of unamortized loss (ii)	39,859
Past service costs (iii)	<u>(43,336)</u>
Excess of expenses over revenue for the year reported under PSAS	<u>(1,086,916)</u>

The transition from Canadian generally accepted accounting principles to PSAS had no significant impact on cash flows generated by the Zoo.

- i) The Board has revalued its pension benefit obligations using a discount rate referencing the City's cost of borrowing. This change has been applied retroactively.
- ii) The Board has retroactively recognized unamortized actuarial gains and losses on the date of transition. Accumulated actuarial gains and losses are amortized over the remaining service life of the employee group.
- iii) The Board has retroactively recognized unamortized past service costs relating to previous year's plan amendments as PSAS requires these costs to be expensed immediately.

### Exemption

In accordance with PSAS transitional provisions, the Board has elected to use the exemption in paragraph 10 under PS 3255, Retirement and Post-employment Benefits. Under Section PS 3255, the Board amortizes actuarial gains and losses to the liability or asset over the expected average remaining service life of the related employee group. Retroactive application of this approach requires the Board to split the cumulative actuarial gains and losses from the inception of the plan until the date of the transition to PSAS into a recognized portion and an unrecognized portion. The Board has elected to recognize all cumulative actuarial gains and losses as at the date of transition to PSAS directly in the statements of operations.

### 3 Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian PSAS including the accounting standards that apply only to government not-for-profit organizations, and include the following significant accounting policies.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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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.

Membership revenue is recognized in the statements of operations based on amortization of which all fees paid over the length of the one to two-year membership period.

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

### Inventories

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

### Capital assets

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

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

### 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 statements 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.

### Employee future benefits

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

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

## Notes to Financial Statements

**December 31, 2012, December 31, 2011 and January 1, 2011**

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- 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 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**

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

Derivative contracts entered into by the City in connection with the purchase of electricity, to which the Board is a party, are not designated to be 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 statements of operations.

### **Financial assets and liabilities**

The transition to PSAS included the adoption of Section 3450, Financial Instruments. The Board has applied the standard prospectively; therefore, the financial statements of prior periods, including comparative information, have not been restated.

The Board initially measures its financial assets and 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 statements of operations.

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.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### 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 dates. 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 \$770 (2011 - losses of \$4,877) are included in the statements of operations. Unrealized foreign exchange losses are included in the statements of remeasurement gains and losses.

### Use of estimates

The preparation of these financial statements in conformity 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.

## 4 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:

	2012 \$	2011 \$
Due from the City related to operating expenses - Beginning of year	1,309,155	838,156
Amounts paid by the City during the year	(2,140,619)	-
Excess funding receivable from the City	496,189	470,999
	<hr/>	<hr/>
Due from (to) the City related to operating expenses - End of year	(335,275)	1,309,155

- c) The Board has recorded a non-interest bearing, long-term receivable in connection with the expected recoveries of employee benefit costs (note 7) 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

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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Toronto Hydro during the year amounted to \$1,263,610 (2011 - \$1,265,590). The amount payable to Toronto Hydro at year-end was \$214,486.

### 5 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 \$6,434,425 (2011 - \$5,612,679) 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>2012</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Computer equipment	159,651	159,651	-
Other equipment and animal structures	4,103,397	2,725,271	1,378,126
Furniture	221,099	96,407	124,692
	<b>4,484,147</b>	<b>2,981,329</b>	<b>1,502,818</b>
	<b>2011</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Computer equipment	159,651	157,451	2,200
Other equipment and animal structures	4,080,110	2,256,091	1,824,019
Furniture	221,099	74,298	146,801
	<b>4,460,860</b>	<b>2,487,840</b>	<b>1,973,020</b>

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### 6 Deferred revenue

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

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

	2012 \$	2011 \$
Balance - Beginning of year	3,758,526	4,079,683
Amounts received and deferred	3,601,838	2,889,159
Amounts recognized	(3,738,621)	(3,210,316)
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Balance - End of year	3,621,743	3,758,526

### 7 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 have been noted, in aggregate, below.

	2012 \$	2011 \$
Sick leave	3,101,830	3,423,284
Other retirement and post-employment benefits	8,689,849	7,276,051
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Total accrued benefit obligations	11,791,679	10,699,335
Unamortized actuarial (loss) gain	(616,164)	231,011
	<hr/>	<hr/>
Total employee future benefits payable (note 4(c))	11,175,515	10,930,346

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.



# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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

	2012 \$	2011 \$
Balance - Beginning of year	10,699,335	9,382,323
Current service costs	405,813	341,498
Interest cost	394,187	426,938
Benefits paid	(543,196)	(508,222)
Actuarial gain (loss)	835,540	1,056,798
	<hr/>	<hr/>
Balance - End of year	11,791,679	10,699,335

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

	2012 \$	2011 \$
Current service costs	405,813	341,498
Interest cost	394,187	426,938
Amortization of actuarial gain (loss)	(11,635)	(77,685)
	<hr/>	<hr/>
	788,365	690,751

For purposes of the financial statement presentation, these expenses are included in the figures in the statements 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.

Cash payments made during the year are as follows:

	2012 \$	2011 \$
Sick leave	188,286	205,330
Other retirement and post-employment benefits	354,910	302,892
	<hr/>	<hr/>
	543,196	508,222

The benefit plans, as noted above, are all unfunded; however, the Board participates in reserve funds established by the City. The amounts contributed to these reserve funds during the year were \$1,715,254 (2011 - \$1,788,498) and are included in the statements of operations.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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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. In 2013, the City will conduct an experience analysis specific to the Zoo to confirm the reasonableness of assumptions within the actuarial valuation.

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

	2012 %	2011 %
Discount rate for accrued benefit obligations		
Sick leave	3.5	3.5
Other retirement and post-employment benefits	3.1 - 3.8	3.1 - 3.8
Discount rate for accrued benefit costs		
Sick leave	3.5	4.4
Other retirement and post-employment benefits	3.1 - 3.8	4.0 - 4.7
Rate of compensation increase	3.0	3.0

For measurement purposes, a 6.8% (2011 - 7.2%) 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, 2012 amounted to \$1,799,111 (2011 - \$1,410,569).

### 8 Internally restricted fund

Details of internally restricted net assets are as follows:

	2012 \$	2011 \$
Invested in capital assets	1,502,818	1,973,020
Ride & Revenue Development project	567,791	1,451,102
	<hr/> 2,070,609	<hr/> 3,424,122

The Board has internally restricted \$567,791 (2011 - \$1,451,102) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### 9 Animal Transaction Reserve Fund

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

	2012 \$	2011 \$
Balance - Beginning of year	204,066	278,251
Revenue		
Revenue from animals sold	11,773	1,282
Interest earned	6,372	7,136
Expenses		
Animals purchased	(129,500)	(82,603)
	<hr/>	<hr/>
Balance - End of year	92,711	204,066

### 10 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:

	2012 \$	2011 \$
Balance - Beginning of year	829,965	821,613
Revenue		
Interest earned	15,615	15,997
Donations, grants and wishing wells	92,809	51,474
Expenses		
Services and rentals	(49,000)	(59,119)
	<hr/>	<hr/>
Balance - End of year	889,389	829,965

### 11 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. At the present time, the Zoo Stabilization Reserve Fund is fully depleted.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### 12 Toronto Community 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 Community 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:

	2012 \$	2011 \$
Donor restricted funds	2,008,260	1,762,775
Internally restricted	2,392,324	2,515,691
Unrestricted	2,667,571	2,876,669
Development	24,879	22,643
	<u>7,093,034</u>	<u>7,177,778</u>

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 transfer activity between the Foundation and the Board in 2012 included a transfer to the Board of \$nil (2011 - \$730,226). A net receivable of \$nil has been reflected in the statements of financial position (2011 - \$730,226).

### 13 Development activities

During the year, the Zoo received contributions of \$1,551,577 (2011 - \$1,066,796) relating to development activities.

	2012 \$	2011 \$
Contributions	1,551,577	1,066,796
Deferred revenue	<u>(975,432)</u>	<u>(550,415)</u>
Development revenue	<u>576,145</u>	<u>516,381</u>

Contributions received for programs not yet complete are reflected in deferred revenue on the balance sheets.

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

## Notes to Financial Statements

**December 31, 2012, December 31, 2011 and January 1, 2011**

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### **14 Capital expenditures commitment**

As at December 31, 2012, the Board was contractually committed for \$2,993,903 (2011 - \$3,388,385) in capital expenditures. Payment of these commitments is expected in 2013, 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 \$203,456 (2011 - \$435,597) 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.