

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

Financial Statements  
**December 31, 2015**



June 6, 2016

## **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, 2015 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, 2015 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Board of Management of the Toronto Zoo

## Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	5,482,469	5,314,480
Accounts receivable		
City of Toronto (note 3(b))	3,854,861	1,384,444
Toronto Foundation (note 9)	98,247	98,247
Trade	1,620,181	1,795,118
Inventories	419,105	568,303
Prepaid supplies	210,700	204,772
	<u>11,685,563</u>	<u>9,365,364</u>
<b>Capital assets</b> (note 4)	2,546,702	2,299,443
<b>Receivable from City of Toronto</b> (note 3(c))	11,753,329	11,526,178
	<u>25,985,594</u>	<u>23,190,985</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 3(d) and 14)	7,331,762	5,154,780
Deferred revenue (note 5)	4,258,922	4,135,947
	<u>11,590,684</u>	<u>9,290,727</u>
<b>Employee future benefits payable</b> (note 6)	11,753,329	11,526,178
	<u>23,344,013</u>	<u>20,816,905</u>
<b>Net Assets</b>		
<b>Accumulated remeasurement gains</b>	29,320	9,690
<b>Internally restricted fund</b> (note 7)	2,612,261	2,364,390
	<u>2,641,581</u>	<u>2,374,080</u>
	<u>25,985,594</u>	<u>23,190,985</u>

**Commitments and contingencies** (notes 12 and 13)

Approved by the Board of Directors

 Director

 Director

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

# Board of Management of the Toronto Zoo

## Statement of Operations

For the year ended December 31, 2015

	2015		2014
	Budget \$ (note 15)	Actual \$	Actual \$
<b>Revenue</b>			
Funding from City of Toronto			
General appropriation	11,739,065	11,739,065	11,443,387
Capital works contribution	171,000	171,000	167,600
Restricted contributions and grants	1,011,500	716,556	705,640
Admission	14,848,001	12,632,833	13,279,812
Membership	3,703,570	3,534,938	3,838,611
Food services	6,097,274	6,184,245	6,067,464
Gift shop operations	3,144,000	2,537,174	2,804,836
Parking	3,573,557	3,419,284	2,954,719
Rides and rentals	1,577,133	1,396,708	1,065,901
Education programs	907,281	919,313	936,970
Other revenue and recoveries	1,418,559	1,344,201	1,472,003
Development (note 10)	2,393,160	1,137,845	3,227,062
Interest	10,000	612	6,604
	50,594,100	45,733,774	47,970,609
<b>Expenses</b>			
Operations and administration	18,053,899	17,641,056	18,056,219
Conservation, education and wildlife	15,034,463	14,556,975	14,699,140
Marketing and communications	3,733,710	2,794,575	2,876,246
Food services	4,550,699	4,935,110	4,789,269
Gift shop operations	3,085,542	2,015,217	2,199,889
General management	3,901,506	3,236,628	3,034,537
Development	2,234,281	777,143	834,267
Amortization of capital assets	-	632,468	610,976
Employee future benefits (note 6)	-	227,151	218,128
	50,594,100	46,816,323	47,318,671
<b>Excess of revenue over expenses (expenses over revenue) before the following</b>	-	(1,082,549)	651,938
<b>Transfer to Toronto Foundation (note 9)</b>	-	-	(1,945,000)
<b>Transfer from Zoo Stabilization Reserve (notes 1, 3(b) and 8)</b>	-	1,103,269	904,486
<b>Funding from City of Toronto related to employee future benefits payable (note 3(c))</b>	-	227,151	218,128
<b>Excess of revenue over expenses (expenses over revenue) for the year</b>	-	247,871	(170,448)

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

# Board of Management of the Toronto Zoo

## Statement of Changes in Net Assets

For the year ended December 31, 2015

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			2015	2014
	Internally restricted \$ (note 7)	Unrestricted \$	Total \$	Total \$
<b>Net assets - Beginning of year</b>	2,364,390	-	2,364,390	3,050,816
Excess of revenue over expenses (expenses over revenue) for the year	-	247,871	247,871	(170,448)
Interest on internally restricted fund (note 7)	612	(612)	-	-
Change in net assets invested in capital assets	247,259	(247,259)	-	-
Transfer of internally restricted funds to capital fund held by City of Toronto	-	-	-	(515,978)
<b>Net assets - End of year</b>	2,612,261	-	2,612,261	2,364,390

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

# Board of Management of the Toronto Zoo

## Statement of Remeasurement Gains and Losses

For the year ended December 31, 2015

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	2015 \$	2014 \$
<b>Accumulated remeasurement gains - Beginning of year</b>	9,690	2,381
Unrealized gains attributable to foreign exchange	19,630	7,309
<b>Accumulated remeasurement gains - End of year</b>	<u>29,320</u>	<u>9,690</u>

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

# Board of Management of the Toronto Zoo

## Statement of Cash Flows

For the year ended December 31, 2015

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	2015 \$	2014 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue) for the year	247,871	(170,448)
Add: Items not involving cash		
Transfer of internally restricted funds to capital fund held by City of Toronto	-	(515,978)
Amortization of capital assets	632,468	610,976
Employee future benefits	227,151	218,128
	<hr/>	<hr/>
	1,107,490	149,987
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	(2,470,417)	(407,766)
Trade	174,937	(594,274)
Accounts receivable from Toronto Foundation	-	(652,838)
Inventories	149,198	21,422
Prepaid supplies	(5,928)	44,833
Accounts payable and accrued liabilities	2,196,612	(1,542,399)
Deferred revenue	122,975	(13,717)
	<hr/>	<hr/>
	1,274,867	(3,002,061)
<b>Capital activities</b>		
Purchase of capital assets	(879,727)	(433,924)
<b>Financing activities</b>		
Receivable from City of Toronto	(227,151)	(218,128)
	<hr/>	<hr/>
<b>Increase (decrease) in cash during the year</b>	167,989	(3,654,113)
<b>Cash - Beginning of year</b>	5,314,480	8,968,593
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<b>Cash - End of year</b>	5,482,469	5,314,480
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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, 2015

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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 approve the transfer or loan of specimen surpluses according to its needs, and recording animal transactions. 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 8).

The City established the Zoo Stabilization Reserve Fund in 1996 for the purpose of investing in revenue-generating activities of the Board, preparing for special events in advance of the budget year and offsetting revenue shortfalls. The Zoo Stabilization Reserve Fund is also recorded in the accounts of the City (note 8).

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 (2014 - \$333,000) for the vehicle reserve and \$232,413 (2014 - \$201,183) for the insurance reserve, and are included within operations and administration on the statement of operations.

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

### 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.

#### Revenue recognition

The Board follows the deferral method of accounting for contributions. Unrestricted contributions (development revenue and general appropriation funding from the City of Toronto) 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 and grants are deferred and recognized as revenue in the year in which the related expenses are recognized.

Revenue from admissions, food services, gift shop operations, parking and rides and rental is recognized at point of sale.

Memberships sold are either a one or two-year membership from the time of purchase. Revenue is recognized in the statement of operations over the term of the membership period and deferred if it relates to future periods.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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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 \$1,141,420 (2014 - \$1,282,193).

### **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.

### **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;

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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- 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 year 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, 2015 and 2014, 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.

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 \$834 (2014 - losses of \$16,367) are included in the statement of operations. Unrealized foreign exchange gains are included in the statement of remeasurement gains and losses.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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### 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 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 current receivable with the City at year-end.
- 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:

	2015 \$	2014 \$
Due from (to) the City related to operating expenses - Beginning of year	26,015	(878,471)
Excess funding receivable from the City	1,103,269	904,486
	<hr/>	<hr/>
Due from the City related to operating expenses - End of year	1,129,284	26,015

- 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 \$1,650,440 (2014 - \$1,532,478). The amount payable to Toronto Hydro at year-end was \$169,116 (2014 - \$148,639).

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

### 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 \$6,637,182 (2014 - \$3,192,543) 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>2015</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Computer equipment	174,630	174,630	-
Other equipment and animal structures	6,863,999	4,479,203	2,384,796
Furniture	359,205	197,299	161,906
	<u>7,397,834</u>	<u>4,851,132</u>	<u>2,546,702</u>
			<b>2014</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</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
	<u>6,518,107</u>	<u>4,218,664</u>	<u>2,299,443</u>

### 5 Deferred revenue

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

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	4,135,947	4,149,664
Amounts received and deferred	4,428,847	3,630,426
Amounts recognized	<u>(4,305,872)</u>	<u>(3,644,143)</u>
Balance - End of year	<u>4,258,922</u>	<u>4,135,947</u>

Included in deferred revenue as at December 31, 2015, the amount of deferred development contributions is \$2,193,671 (2014 - \$2,040,794).

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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### 6 Employee future benefits payable

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.

	2015 \$	2014 \$
Sick leave	2,970,577	3,110,046
Other retirement and post-employment benefits	9,038,571	10,041,073
Total accrued benefit obligations	12,009,148	13,151,119
Unamortized actuarial loss	(255,819)	(1,624,941)
Total employee future benefits payable	11,753,329	11,526,178

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:

	2015 \$	2014 \$
Balance - Beginning of year	13,151,119	11,626,876
Current service costs	540,631	467,537
Interest cost	335,749	426,197
Benefits paid	(771,413)	(709,075)
Actuarial (gain) loss	(1,246,938)	1,339,584
Balance - End of year	12,009,148	13,151,119

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

	2015 \$	2014 \$
Current service costs	540,631	467,537
Interest cost	335,749	426,197
Amortization of actuarial loss	122,184	33,469
	998,564	927,203

These expenses are not included in the budget figures presented in the statement of operations, 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.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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Payments made during the year are as follows:

	2015 \$	2014 \$
Sick leave	210,443	208,160
Other retirement and post-employment benefits	560,970	500,915
	<u>771,413</u>	<u>709,075</u>

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

	2015 \$	2014 \$
Total expenses	998,564	927,203
Benefits paid	<u>(771,413)</u>	<u>(709,075)</u>
	<u>227,151</u>	<u>218,128</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 \$2,097,963 (2014 - \$2,015,226) and are included in the statement of operations.

The most recent actuarial valuation was completed on December 31, 2015. The next actuarial valuation is planned for December 31, 2018.

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

	2015 %	2014 %
Discount rate for accrued benefit obligations		
Sick leave	2.9	3.2
Other retirement and post-employment benefits	2.5 - 3.4	2.8 - 3.4
Discount rate for accrued benefit costs		
Sick leave	2.9	3.2
Other retirement and post-employment benefits	2.5 - 3.4	2.8 - 3.4
Rate of compensation increase	3.0	3.0

For measurement purposes, a 6% (2014 - 6%) 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.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

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In addition to the above-noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund, 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, 2015 amounted to \$1,889,596 (2014 - \$1,883,935).

### 7 Internally restricted fund

Details of the internally restricted net assets are as follows:

	2015 \$	2014 \$
Invested in capital assets	2,546,702	2,299,443
Ride & Revenue Development project	65,559	64,947
	<hr/> 2,612,261	<hr/> 2,364,390

The Board has internally restricted \$65,559 (2014 - \$64,947) 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 City of Toronto reserve funds

The City maintains a number of reserve funds on behalf of the Zoo. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

#### 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. The balance of the Animal Transaction Reserve Fund as at December 31, 2015 was \$8,388 (2014 - \$15,828).

#### 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. The balance of the Endangered Species Reserve Fund as at December 31, 2015 was \$971,663 (2014 - \$953,826).

#### 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



# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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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 for financial planning purposes 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 2015 operations, the Zoo withdrew \$1,103,269 (2014 - \$904,486) from the Zoo Stabilization Reserve Fund. The balance of the Zoo Stabilization Reserve Fund as at December 31, 2015 was \$966,306 (2014 - \$2,069,575).

### 9 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:

	2015 \$	2014 \$
Donor restricted funds	2,842,136	2,636,623
Internally restricted	3,412,214	3,139,721
Unrestricted	3,804,794	3,500,948
Development	35,483	32,650
	<hr/> 10,094,627	<hr/> 9,309,942

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 \$4,861,150 (2014 - \$4,455,148). The Board approved a transfer of \$2,000,000 during 2014 to the development fund of the Foundation and as at December 31, 2015, the transfer amounted to \$1,945,000 equal to the value of an estate donation received (2014 - \$1,945,000). The net activities between the Board and the Foundation have resulted in a receivable of \$98,247 (2014 - receivable of \$98,247), which is reflected in the statement of financial position.

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

December 31, 2015

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### 10 Development activities

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

	2015 \$	2014 \$
Contributions received	2,106,609	3,992,581
Contributions deferred	(968,764)	(765,519)
	<hr/>	<hr/>
Development revenue	1,137,845	3,227,062

Contributions received for program expenses not yet incurred are reflected in deferred revenue on the statement of financial position.

### 11 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 primarily because of its purchases in US dollars. 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 risk the Zoo will not be able to meet its financial obligations when they come due.

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities - trade	4,588,784	2,660,526	82,452	-	7,331,762

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

# Board of Management of the Toronto Zoo

## Notes to Financial Statements

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### 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, 2015, the harmonized sales tax recoverability amount represents 83% of the total trade accounts receivable balance (2014 - 90%).

As at December 31, 2015, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	10,676	92,060	44,846	-

The Zoo believes it has low exposure to credit risk.

### 12 Commitments

As at December 31, 2015, the Board was contractually committed for \$12,093,357 in capital expenditures. Payment of these commitments is expected in 2016, based on management's best estimate.

In 2012, the Zoo entered into a loan agreement with regard to certain species of animals and committed to provide yearly conservation support funding in the amount of US\$1,000,000. As at December 31, 2015, future contractual obligations under this agreement are US\$2,000,000 payable in 2016 and 2017, respectively.

### 13 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.

### 14 Pay equity

An accrual for pay equity amounts due to employees and former employees of \$63,955 (2014 - \$65,259) 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.

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

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## **15 Budgeted figures**

The budgeted figures presented in the statement of operations have been obtained from the 2015 budget approved by the Council of the City of Toronto.

## **16 Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.