
Board of Management of the Toronto Zoo

*2016 year-end report
to the Audit Committee*

*Prepared as of
April 18, 2017*





April 24, 2017

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

Dear Members of the Policy & Finance Committee of the Toronto Zoo:

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, 2016. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as 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 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 of the organization who have assisted us in carrying out our work, and we look forward to our meeting on April 24, 2017. 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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

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

Communications to the Audit Committee

Key matters for discussion	Comments
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Actuary reliance letter and confirmation; • Legal updates and subsequent events procedures; • Signed management representation letter; and • Approval of the financial statements by the Board of Management.
Client service team	Terri McKinnon is your engagement leader and Shellyann Jackson is your engagement manager.
Service deliverables	<p>We performed audit of the organization's financial statements as of December 31, 2016 and for the year then ending prepared in accordance with PSAS.</p> <p>Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Zoo for the above-mentioned year.</p>
Audit timeline	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> – Interim visit: Dec 19-23, 2016 – Year-end visit: March 13-24, 2017 – Clearance meeting with management: April 12, 2017 – Year-end Policy & Finance Committee meeting: April 24, 2017 – Delivery of financial statements: subsequent to Board of Management approval
Audit approach	<p>Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas:</p> <ul style="list-style-type: none"> • Purchases, payables and disbursements • Payroll • Membership, admission and retail revenue <p>All material areas were subject to tests of detail and substantive analytical testing.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Significant accounting, auditing and reporting matters discussed with management	
Risk of fraud in revenue recognition (significant risk) Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all entities.	<p>In order to address the risk of fraud in revenue recognition, we performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed management's accounting treatment and revenue recognition policy; • Obtained an understanding regarding the nature of all revenue streams; • On a sample basis, traced selected revenue transactions from the revenue listing to the cheque received and the bank statement; and • Performed cut-off testing on a sample of revenue transactions for the period December 2016 and January 2017 in order to ensure proper recording of these transactions. <p>Based on the work performed, there were no matters to bring to your attention.</p>
Related party transactions	<p>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.</p> <p>We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Zoo.</p> <p>We have 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.</p>
Risk of management override of controls (significant risk) 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.	<p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries recorded in the year and selected journal entries for testing to ensure that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.</p> <p>We also incorporated unpredictable procedures into our audit and noted no exceptions.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Other matters discussed with management	
Employee future benefits	We have obtained the actuarial report as of December 31, 2016 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.
Budgeted figures	Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements. We agreed the budgeted figures per the statement of operations to the City of Toronto's approved budget for the Board of Management of the Toronto Zoo. No issues were noted.
Other required communications	
Fraud and illegal acts	<p>We discuss fraud risk annually with management and the Policy & Finance Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks.</p> <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 as a result of our audit procedures.</p> <p>We wish to reconfirm that the Policy & Finance Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Summary of unadjusted and adjusted items	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</p> <p>We set our materiality at \$1,556,000 based on 3% of revenues. Our threshold to report any adjusted and unadjusted amounts to the Policy & Finance Committee was \$156,000.</p> <p>As a result of our audit there were no adjusted or unadjusted misstatements identified. There were certain enhancements suggested to the disclosure in the notes to the financial statements which were accepted by management.</p>
Internal control recommendations	We have no significant internal control recommendations to report.

<i>Key matters for discussion</i>	<i>Comments</i>
Other information in documents containing audited financial information	Once it is available, we will read the annual report and consider whether the content or manner of presentation is materially consistent with the financial information covered by our auditor's report.
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.
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 reconfirm that the Policy & Finance Committee is not aware of any other subsequent events that might affect the financial statements.</p>

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.

Appendix A: Draft auditor's report

@@@, 2017

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, 2016 and the statement 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.

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, 2016 and the results of its operations, its remeasurement gains and losses, changes in its net assets and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Appendix B: Draft management representation letter

Client Letterhead

@@, 2017

Ms. Terri McKinnon
PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Dear Ms. McKinnon:

We are providing this letter in connection with your audit of the financial statements of Board of Management of the Toronto Zoo – (the Zoo) as at December 31, 2016 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, results of operations, remeasurement gains and losses and cash flows of the Zoo in accordance with Canadian public sector accounting standards including standards that apply only to government non-for-profit organizations.

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2015. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with Canadian public sector accounting standards including standards that apply only to government not-for profit organizations;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

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

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

Accounting policies

We confirm that we have reviewed the Zoo's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the Zoo's particular circumstances to present fairly in all material respects its financial position, results of operations, remeasurement gains and losses and cash flows in accordance with Canadian public sector accounting standards including standards that apply only to government non-for-profit organizations.

We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook Sections PS 4200 to PS 4270.

Internal controls over financial reporting

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

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

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

Minutes

All matters requiring disclosure to or approval of the Board of Management and Policy & Finance Committee have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

All contractual arrangements entered into by the Zoo with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud

We have disclosed to you:

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

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors. The most recent meetings held were on **Date** for Board of Management and **Date** for the Policy & Finance Committee;

- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

We have no knowledge of any allegations of fraud or suspected fraud affecting the Zoo received in communications from employees, former employees, analysts, regulators, short sellers, or others.

Compliance with laws and regulations

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

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

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

Accounting estimates and fair value measurements

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

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

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

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

Related parties

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

The identity of, relationship, balances and transactions with related parties have been properly recorded under Public Sector Accounting Standards and adequately disclosed in the financial statements, as required by CPA Canada Public Sector Accounting Handbook Section PS 4260.

We have not identified any related party transactions, as defined by Disclosure of Related Party Transactions by Not-for-Profit Organizations.

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

Going concern

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

The financial statements disclose all of the matters of which we are aware that are relevant to the Zoo's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Zoo's plans. The Zoo also has the intent and ability to take actions necessary to continue as a going concern. We have made available to you all relevant information on the Zoo's ability to continue as a going concern that could affect the financial statements, including the recoverability or classification of recorded assets or the amounts and classification of liabilities. Accordingly, the Zoo's financial statements are appropriately prepared on a going concern basis.

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on the Zoo's assets and assets pledged as collateral, to the extent material, have been disclosed in the notes to the financial statements.

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

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards including standards that apply only to government not-for profit organizations, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

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

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

We confirm there are no uncorrected misstatements in the financial statements.

There are no adjusted misstatements identified during your audit.

Communications with the Auditor General

We confirm that there were no discussions with the Auditor General in the current year nor are there any open items from past audits.

Events after balance sheet date

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

Cash and banks

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

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

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

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

All cash and bank accounts and all other properties and assets of the Zoo are included in the financial statements as at balance sheet date.

Accounts receivable

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

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

Receivables recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date and are not subject to discount except for normal cash discounts.

Accounts receivable amounted to \$6,204,538 and are considered to be fully collectible.

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

The Zoo has accounted for and disclosed transfers of receivables (including securitizations) in accordance with the requirements of CPA Canada Handbook, Part II, Section 3856, *Financial Instruments*, Appendix B - Transfers of Receivables.

Inventory

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

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

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

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

Capital assets

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

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

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

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

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

All lease agreements covering property leased by or from the Zoo have been disclosed to you and classified in accordance with CPA Canada Public Sector Accounting Handbook Guideline PSG-02, Leased Tangible Capital Assets.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

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

All collections accounted for using the guidance in CPA Canada Public Sector Accounting Handbook Section 4240 meet the definition of a collection in PS4240.03.

Contributions

We have recorded all contributions received during the period in the financial statements. We confirm that contributions received in the year have been recognized as revenue only when the contribution was unrestricted or the externally imposed restrictions have been met in the period. We have disclosed to you the existence and nature of all external restrictions on material contributions received in the period.

All contributions receivable, including government funding receivables, that are recorded in the statement of financial position are reasonably assured of collection and we have made you aware of all relevant facts and circumstances in making this determination. Recognized contributions receivable do not include any bequests.

Deferred revenue and deferred contributions

All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

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

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

The details of all pension plan amendments since December 31, 2016, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation dated December 31, 2015 incorporates management's best estimates, detailed as follows:

- The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.
- The Zoo plans to continue to make frequent amendments to the pension or other post-retirement benefit plans, which may affect the amortization period of prior service cost.
- All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed and considered in determining the plan expense and the estimated actuarial present value of accrued pension benefits and value of plan assets.
- The Zoo's actuaries have been provided with all information required to complete their valuation as at December 31, 2015.

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

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

- The significant accounting policies that the Zoo has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250 and CPA Canada Public Sector Accounting Handbook Section PS 3255 are accurately and completely disclosed in the notes to the financial statements. Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the City of Toronto's borrowing rate using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.
- The assumptions included in the actuarial valuation are those that management instructed Buck Consulting to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250.

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

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

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

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

Funds of the Zoo held at the City of Toronto

The Zoo has various funds, as disclosed in the financial statements, with the City of Toronto. We confirm that the transactions and balances disclosed are complete and accurate and all amounts have been agreed to and confirmed with the City of Toronto.

Financial Instruments

The Zoo has decided to apply PS 3450 for financial instruments. All financial instruments have been appropriately recognized under PS 3450 and all disclosures made are appropriate.

Derivative financial instruments

The Zoo has recognized and recorded at fair value all embedded derivative instruments that are required to be separated from their host contracts, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3450, Financial Instruments.

The Zoo has recognized and recorded at fair value all non-financial derivatives that are included within the scope of CPA Canada Public Sector Accounting Handbook Section PS 3450, Financial Instruments.

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

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

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

Any changes to internal fund restrictions that are reflected in the financial statements, but not yet approved by the Board of Directors will be approved prior to the Board of Directors approving the financial statements.

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

Events after balance sheet date

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

Yours truly,

Board of Management of the Toronto Zoo

John Tracogna, Chief Executive Officer

Robin Hale, Chief Operating Officer

Paul Whittam, Manager of Financial Services

Appendix A – Related parties

Board Members*:

- Councillor Raymond Cho, Chair
- Councillor Paul Ainslie
- Dr. Cal Bricker
- Dr. Ming-Tat Cheung
- Dr. Vanessa Choy
- Mr. Matthew Cole
- Councillor Glenn De Baeremaeker
- Mr. Paul Doyle
- Councillor Giorgio Mammoliti
- Ms. Tisha Tan
- Mr. Joshua Vinegar
- Mr. Benjamin Wulffhart

Senior Management*:

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

*Although not explicitly listed, immediate family members are considered included as related parties by this reference.

City of Toronto - entities associated with City of Toronto as follows:

Consolidated entities:

Agencies, Boards and Commissions:

- ✧ Board of Governors of Exhibition Place
- ✧ Board of Management of the Toronto Zoo
- ✧ Heritage Toronto
- ✧ Toronto Licensing Commission
- ✧ Toronto Police Services Board
- ✧ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC" previously "TEDCO") after November 13, 2008
- ✧ Toronto Public Library Board
- ✧ Toronto Transit Commission ("TTC")
- ✧ Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- ✧ Yonge-Dundas Square
- ✧ Build Toronto Inc. (Incorporated November 13, 2008)
- ✧ Invest Toronto Inc. (Incorporated November 13, 2008)
- ✧ The North York Performing Arts Centre Corporation
- ✧ The Sony Centre for the Performing Arts
- ✧ St. Lawrence Centre for the Arts
- ✧ Toronto Atmospheric Fund ("TAF")
- ✧ Toronto Board of Health
- ✧ Toronto Community Housing Corporation ("TCHC")

Arenas:

- ✧ Forest Hill Memorial
- ✧ George Bell
- ✧ Leaside Memorial Community Gardens
- ✧ McCormick Playground
- ✧ Moss Park
- ✧ North Toronto Memorial
- ✧ Ted Reeve Community
- ✧ William H. Bolton

Community Centres:

- ✧ 519 Church Street
- ✧ Applegrove
- ✧ Cecil Street
- ✧ Central Eglinton
- ✧ Community Centre 55
- ✧ Eastview Neighbourhood
- ✧ Harbourfront
- ✧ Ralph Thornton
- ✧ Scadding Court
- ✧ Swansea Town Hall

Business Improvement Areas:

- ✧ Albion/Islington Square
- ✧ Annex-Dupont
- ✧ Bloor Annex
- ✧ Bloor by the Park
- ✧ Bloorcourt Village
- ✧ Bloordale Village
- ✧ Bloor Street
- ✧ Bloor West Village
- ✧ Bloor-Yorkville
- ✧ Cabbagetown
- ✧ Chinatown
- ✧ Church-Wellesley Village
- ✧ College Promenade
- ✧ Corso Italia
- ✧ Crossroads of the Danforth
- ✧ Danforth Mosaic
- ✧ Danforth Village
- ✧ Dundas West
- ✧ Dovercourt Village
- ✧ Downtown Yonge
- ✧ Eglinton Hill
- ✧ Emery Village
- ✧ Fairbank Village
- ✧ Forest Hill Village
- ✧ Gerrard India Bazaar
- ✧ Greektown on the Danforth
- ✧ Harbord Street
- ✧ Hillcrest Village
- ✧ Historic Queen East
- ✧ Junction Gardens
- ✧ Kennedy Road
- ✧ Kensington Market
- ✧ Kingsway
- ✧ Knob Hill Plaza
- ✧ Korea Town
- ✧ Lakeshore Village
- ✧ Liberty Village
- ✧ Little Italy
- ✧ Little Portugal
- ✧ Long Branch
- ✧ Mimico by the Lake
- ✧ Mimico Village
- ✧ Mirvish Village
- ✧ Mount Dennis
- ✧ Mount Pleasant
- ✧ Oakwood Village
- ✧ Pape Village
- ✧ Parkdale Village
- ✧ Queen Street West
- ✧ Regal Heights Village
- ✧ Riverside
- ✧ Roncesvalles Village
- ✧ Rosedale Main Street
- ✧ Sheppard East Village
- ✧ St. Clair Gardens
- ✧ St. Lawrence Market Neighbourhood
- ✧ The Beach
- ✧ The Danforth
- ✧ The Eglinton Way
- ✧ The Waterfront
- ✧ Toronto Entertainment District
- ✧ Trinity Bellwoods
- ✧ Upper Village
- ✧ Uptown Yonge
- ✧ Village of Islington
- ✧ Weston Village
- ✧ West Queen West
- ✧ Wexford Heights
- ✧ Wychwood Heights
- ✧ Yonge-Lawrence Village
- ✧ York-Eglinton

- ✧ Enwave Energy Corporation ("Enwave")
- ✧ TEDCO (prior to November 14, 2008)
- ✧ Toronto Hydro Corporation
- ✧ Toronto Parking Authority

