

Board of Management of the Toronto Zoo

Financial Statements
December 31, 2017



June 1, 2018

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, 2017 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 including those applicable to not-for-profit organizations, 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.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*



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, 2017 and the results of its operations, changes in net assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards including those applicable to not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Board of Management of the Toronto Zoo

Statement of Financial Position

As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	10,487,656	6,653,662
Accounts receivable		
City of Toronto (note 3(a))	48,011	4,528,984
Toronto Foundation (note 9)	98,247	98,247
Trade	1,778,009	1,948,664
Inventories	514,987	489,931
Prepaid supplies	228,921	214,866
	<u>13,155,831</u>	<u>13,934,354</u>
Capital assets (note 4)	2,858,768	2,555,895
Receivable from City of Toronto (note 3(b))	<u>11,680,239</u>	<u>11,780,625</u>
	<u>27,694,838</u>	<u>28,270,874</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(c))	8,303,880	8,484,667
Deferred revenue (note 5)	4,705,153	4,964,761
	<u>13,009,033</u>	<u>13,449,428</u>
Employee future benefits payable (note 6)	<u>11,680,239</u>	<u>11,780,625</u>
	<u>24,689,272</u>	<u>25,230,053</u>
Net Assets		
Accumulated remeasurement gains	79,994	47,457
Internally restricted fund (note 7)	2,925,572	2,622,007
Unrestricted fund	-	371,357
	<u>3,005,566</u>	<u>3,040,821</u>
	<u>27,694,838</u>	<u>28,270,874</u>

Commitments and contingencies (notes 12 and 13)

Approved by the Board of Directors



Director

Paul Doyle



Director

Paul Ainsle

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, 2017

	2017	2016	
	Budget \$ (note 15)	Actual \$	Actual \$
Revenue			
Funding from City of Toronto			
General appropriation	12,034,318	12,034,318	11,884,989
Capital works contribution	171,000	171,000	170,832
Restricted contributions and grants	697,856	766,211	827,888
Admission	15,896,451	13,475,402	15,434,200
Membership	3,633,229	3,080,287	3,924,845
Food services	7,380,250	6,584,031	7,821,797
Gift shop operations	2,915,000	2,818,581	3,606,323
Parking	3,653,583	3,288,629	4,093,895
Rides and rentals	1,132,875	1,169,490	1,443,782
Education programs	881,173	750,274	888,934
Other revenue and recoveries	1,058,024	1,003,648	1,056,554
Development (note 10)	3,092,430	833,097	1,081,273
Interest	-	692	557
	<u>52,546,189</u>	<u>45,975,660</u>	<u>52,235,869</u>
Expenses			
Operations and administration	19,175,444	17,500,206	18,709,842
Conservation, education and wildlife	15,513,233	15,613,335	15,620,848
Marketing and communications	3,514,603	2,857,722	3,164,397
Food services	5,469,145	5,131,949	6,601,541
Gift shop operations	2,205,437	2,237,335	2,565,211
General management	4,343,635	3,485,860	3,920,111
Development	2,324,692	551,640	576,246
Amortization of capital assets	-	799,140	696,570
Employee future benefits (recovery) (note 6)	-	(100,386)	27,296
	<u>52,546,189</u>	<u>48,076,801</u>	<u>51,882,062</u>
Excess (deficiency) of revenue over expenses before the following	-	(2,101,141)	353,807
Additional funding from City of Toronto (note 3(a))	-	2,505,092	-
Transfer to Zoo Stabilization Reserve Fund (note 3(a))	-	(371,357)	-
Funding from (to) City of Toronto related to employee future benefits payable (note 3(b))	-	(100,386)	27,296
Excess (deficiency) of revenue over expenses for the year	-	<u>(67,792)</u>	<u>381,103</u>

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, 2017

			<u>2017</u>	<u>2016</u>
	Internally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$
Net assets - Beginning of year	2,622,007	371,357	2,993,364	2,612,261
Excess (deficiency) of revenue over expenses for the year	-	(67,792)	(67,792)	381,103
Interest on internally restricted fund	692	(692)	-	-
Change in net assets invested in capital assets	302,873	(302,873)	-	-
Net assets - End of year	<u>2,925,572</u>	<u>-</u>	<u>2,925,572</u>	<u>2,993,364</u>

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, 2017

	2017 \$	2016 \$
Accumulated remeasurement gains - Beginning of year	47,457	29,320
Unrealized gains attributable to foreign exchange	32,537	18,137
Accumulated remeasurement gains - End of year	<u>79,994</u>	<u>47,457</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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(67,792)	381,103
Add: Items not involving cash		
Amortization of capital assets	799,140	696,570
Employee future benefits (recovery) (note 6)	(100,386)	27,296
Unrealized gains attributable to foreign exchange	32,537	18,137
	<hr/>	<hr/>
	663,499	1,123,106
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	4,480,973	(674,123)
Trade	170,655	(328,483)
Toronto Foundation		
Inventories	(25,056)	(70,826)
Prepaid supplies	(14,055)	(4,166)
Accounts payable and accrued liabilities	(180,787)	1,152,905
Deferred revenue	(259,608)	705,839
	<hr/>	<hr/>
	4,835,621	1,904,252
Capital activities		
Purchase of capital assets	(1,102,013)	(705,763)
Financing activities		
Receivable from City of Toronto	100,386	(27,296)
	<hr/>	<hr/>
Increase in cash during the year	3,833,994	1,171,193
Cash - Beginning of year	6,653,662	5,482,469
	<hr/>	<hr/>
Cash - End of year	10,487,656	6,653,662

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

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

1 Operations and relationship with the City of Toronto

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, 2006, 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)).

Animals in the care of the Zoo are the property of the City and accordingly are 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 records these contributions as expenses as incurred. Contributions for the year amounted to \$333,000 (2016 - \$333,000) for the vehicle reserve and \$250,258 (2016 - \$232,413) 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.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

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

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 on a first-in, first-out basis, and replacement cost.

The cost of gift shop merchandise sold for the year, recognized in the statement of operations, amounts to \$1,183,839 (2016 - \$1,506,317).

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:

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

- the Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), 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. The Board's contributions to OMERS are expensed when the contributions are due, as the plan is accounted for as a defined contribution plan;
- the costs of termination benefits and non-vesting and non-accumulating compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future compensation payments, health-care continuation costs and fees paid to the independent administrators of these plans, calculated on a present value basis; the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated 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.

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 \$41,772 (2016 - gains of \$23,023) 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, 2017

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 legal and other administration costs. This amounted to \$33,398 during the year. 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.

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 (notes 1 and 8). These amounts are included in current accounts receivable from the City or payable to the City. City Council authorized an advance of \$3.9 million from the City's working capital to finance any deficits in 2017 arising as a result of the spring labour disruption. The positive impact of operations and cost saving measures implemented in the latter part of 2017 resulted in only \$2,505,092 of the approved advance being utilized.

- b) 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, as the City is ultimately responsible for any deficit the Board incurs. Each year the receivable is adjusted for the change in the employee future benefits payable account so that the receivable agrees to the related liability.
- c) 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 amounted to \$1,478,102 (2016 - \$1,681,565). The amount payable to Toronto Hydro at year-end was \$139,626 (2016 - \$163,428).

4 Capital assets

The animals in the care of the Zoo and the major capital facilities are the property of the City. The City, through its capital works program, financed approximately \$2,351,917 (2016 - \$11,855,743) 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.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

Capital assets consist of the following:

	2017		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Other equipment and animal structures	8,650,988	5,907,792	2,743,196
Furniture	379,990	264,418	115,572
	<u>9,030,978</u>	<u>6,172,210</u>	<u>2,858,768</u>
			2016
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Other equipment and animal structures	7,569,760	5,144,594	2,425,166
Furniture	359,205	228,476	130,729
	<u>7,928,965</u>	<u>5,373,070</u>	<u>2,555,895</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:

	2017	2016
	\$	\$
Balance - Beginning of year	4,964,761	4,258,922
Amounts received	3,772,831	5,720,665
Amounts recognized	<u>(4,032,439)</u>	<u>(5,014,826)</u>
Balance - End of year	<u>4,705,153</u>	<u>4,964,761</u>

The amount of restricted deferred development contributions included in deferred revenue as at December 31, 2017 is \$2,581,456 (2016 - \$2,685,199).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

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.

	2017 \$	2016 \$
Sick leave	3,067,471	2,990,763
Other retirement and post-employment benefits	9,989,052	8,853,039
Total accrued benefit obligations	13,056,523	11,843,802
Unamortized actuarial loss	(1,376,284)	(63,177)
Total employee future benefits payable	11,680,239	11,780,625

The Board adopted the current Illness & Injury Plan (IIP) to replace the former sick leave benefit plan in 2011. Under the previous sick leave benefit plan, certain long-term employees were grandfathered and declared eligible to carry their unused sick leave forward and may be entitled to a payment of up to 130 days when they leave the Board's employment. The liability for the accumulated sick leave represents the extent to which the eligible employees' accumulated sick leave has vested and could be paid to them on termination.

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

	2017 \$	2016 \$
Balance - Beginning of year	11,843,802	12,009,148
Current service costs	326,382	383,816
Interest cost	388,572	375,354
Benefits paid	(761,664)	(753,498)
Actuarial loss (gain)	1,259,431	(171,018)
Balance - End of year	13,056,523	11,843,802

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

	2017 \$	2016 \$
Current service costs	326,382	383,816
Interest cost	388,572	375,354
Amortization of actuarial gain (loss)	(53,676)	21,624
	661,278	780,794

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, 2017

Payments made during the year are as follows:

	2017 \$	2016 \$
Sick leave	159,319	127,464
Other retirement and post-employment benefits	602,345	626,034
	<u>761,664</u>	<u>753,498</u>

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

	2017 \$	2016 \$
Total expenses	661,278	780,794
Benefits paid	<u>(761,664)</u>	<u>(753,498)</u>
	<u>(100,386)</u>	<u>27,296</u>

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:

	2017 %	2016 %
Discount rate for accrued benefit obligations		
Sick leave	3.1	3.1
Other retirement and post-employment benefits	2.7 - 3.5	2.7 - 3.5
Discount rate for accrued benefit costs		
Sick leave	3.1	3.1
Other retirement and post-employment benefits	2.7 - 3.5	2.7 - 3.5
Rate of compensation increase	3.0	3.0

For measurement purposes, a 6% (2016 - 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.

Total employer contributions made to the Ontario Municipal Employees Retirement Fund for the year ended December 31, 2017 amounted to \$1,895,653 (2016 - \$1,961,314).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

7 Internally restricted fund

Details of the internally restricted net assets are as follows:

	2017 \$	2016 \$
Invested in capital assets	2,858,768	2,555,895
Ride & Revenue Development project	66,804	66,112
	<u>2,925,572</u>	<u>2,622,007</u>

The Board has internally restricted \$66,804 (2016 - \$66,112) 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, which are not recorded in these financial statements. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

Animal Transaction Reserve Fund

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, 2017 is \$nil (2016 - deficit of \$58,356).

Endangered Species Reserve Fund

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, 2017 was \$946,981 (2016 - \$961,246).

Zoo Stabilization Reserve Fund

Initially, 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. Beginning in fiscal year 2005, any operating surpluses are to be transferred to the City, unless the City approves a transfer to the Zoo Stabilization Reserve Fund.

Board of Management of the Toronto Zoo

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December 31, 2017

In accordance with motion EX27.1 adopted by City Council on January 15, 2013, the City granted the Zoo a five-year exemption starting in fiscal 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. The balance of the Zoo Stabilization Reserve Fund as at December 31, 2017 was \$1,337,663 (2016 - \$2,440,932) which will be transferred to the Zoo Animal Transaction Reserve Fund as part of the Year-end Reserve Fund Reporting.

9 Toronto Foundation

The Toronto Foundation (the Foundation) performs a financial stewardship role in accordance with the terms of the Trust Agreement (May 29, 2009) with the Board in relation to the funds managed by the Foundation on behalf of the Board.

The value of funds managed by the Foundation in relation to the Trust Agreement as at December 31 is outlined below:

	2017 \$	2016 \$
Donor restricted funds	3,303,058	3,089,901
Internally restricted	3,965,756	3,709,619
Unrestricted	5,998,473	5,427,517
	<u>13,267,287</u>	<u>12,227,037</u>

A separate Development Funds Agreement (the Agreement) is also in place between the Foundation and the Board related to funds raised by the development division of the Zoo subsequent to May 29, 2009. Any transfers of funds to the Foundation under the Agreement are managed and stewarded separately on the Board's behalf. The value of the funds governed under the Agreement as at December 31, 2017 is \$4,291,073 (2016 - \$4,030,615). The net activities between the Board and the Foundation have resulted in a receivable of \$98,247 (2016 - \$98,247), which is reflected in the statement of financial position.

10 Development activities

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

	2017 \$	2016 \$
Contributions received	1,500,304	2,038,384
Contributions deferred	(667,207)	(957,111)
	<u>833,097</u>	<u>1,081,273</u>

Contributions received for program expenses not yet incurred are reflected in deferred revenue on the statement of financial position (note 5).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

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 the exposure to currency risk is low 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	5,186,240	25,758	-	-	5,211,998

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

Credit risk

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

Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Zoo provides an allowance for doubtful accounts to absorb potential credit losses. As at December 31, 2017, the harmonized sales tax recoverability amount represents 84% (2016 - 74%) of the total trade accounts receivable balance.

As at December 31, 2017, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	29,710	216	-	47,631

The Zoo believes it has low exposure to credit risk.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2017

12 Commitments

As at December 31, 2017, the Board was contractually committed for \$633,037 in capital expenditures. Payment of these commitments is expected in 2018, based on management's best estimate.

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 Budgeted figures

The budgeted figures presented in the statement of operations have been obtained from the 2017 budget approved by the Council of the City of Toronto.