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# *Board of Management of the Toronto Zoo*

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

*Prepared as of May 9, 2019*

pwc

May 9, 2019

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

Dear Members of the Policy & Finance Committee:

We have substantially completed our audit of the financial statements of the Board of Management of the Toronto Zoo (the organization or the Zoo) prepared in accordance with Public Sector Accounting Standards including standards that apply only to government not-for-profit organizations (PSAS) for the year ended December 31, 2018 (referred to as ''financial statements' from now on). We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included inAppendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant audit, accounting and financial reporting matters dealt with during the audit process.

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

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

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Assurance

*PricewaterhouseCoopers LLP*
*PwC Tower, 18 York Street, Suite 2600, Toronto Ontario, Canada M5J 0B2*
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# Contents



## Appendices

# 1. Executive summary

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

## *Status of the audit*

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

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

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

## *Outstanding items*

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

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

## *Materiality*

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

# 2. *Significant audit, accounting and financial reporting matters*

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

To prepare the financial statements, management needs to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the company's reported results.

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

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

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| **Risk of fraud in revenue recognition** (significant risk) | **Background information**<br><br>Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all entities. |
| | **PwC's approach**<br><br>In order to address the risk of fraud in revenue recognition, we performed the following procedures:<br><br>• Obtained an understanding regarding the nature of all revenue streams;<br>• Obtained a confirmation on from City of Toronto on funding for the period January 1, 2018 - December 31, 2018; and<br>• On a sample basis, traced selected revenue transactions from the revenue listing to the supporting payments received to ensure revenue was appropriately recognized.<br><br>We did not note any matters to bring to your attention. |

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| **Risk of material misstatement due to management override** (significant risk) | **Background information**<br><br>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement. |
| | **PwC's approach**<br><br>To address the risk of management override of controls, and as part of our fraud procedures, we performed the following:<br><br>• Obtained an understanding of the organization's financial reporting processes and the controls over major business processes;<br>• Identified risk criteria specific to the organization to scope in journal entries for testing;<br>• Used our proprietary data analytics tool, Halo, to identify journal entries based on risk criteria and tested them to supporting documentation to determine validity;<br>• Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and<br>• Incorporated an element of unpredictability into the current year audit procedures. For the current year, we tested the existence of a sample of vendors and related transactions.<br><br>As a result of the testing performed above, there were no matters to bring to your attention. |

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| **Related party transactions** | **Background information**<br><br>Related party transactions occur between the City and the Zoo. These include transactions such as receipt of operating funding and other charges, representing a significant portion of the Zoo's revenue. In addition, there is a number of funds (e.g. Animal Transaction Reserve Fund, Zoo Stabilization Reserve Fund, etc.) maintained by the City that are not recorded in the financial statements of the Zoo. |
| | **PwC's approach**<br><br>To address the above risk, we performed the following:<br><br>• We obtained an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Zoo as disclosed in the organization's financial statements; and<br>• We have also reviewed the related party note disclosure with respect to the relationship, transactions and balances with the City and it appears to be complete and accurate.<br><br>As noted previously, the reconciliation between the Zoo's book and City of Toronto's confirm is outstanding at the time of issuing our report.<br><br>As a result of the testing performed above, there were no matters to bring to your attention. |

# 3. *Other required communications*

*We are required to disclose certain items to you.*

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

Below is a summary of matters to be communicated.

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

# Appendix A: Draft auditor’s report

# *Independent auditor's report*

To the Directors of Board of Management of Toronto Zoo

## *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Board of Management of Toronto Zoo (the Entity) as at December 31, 2018 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**What we have audited**
The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June @@, 2019

# Appendix B: Management representation letter

**DRAFT**

**CLIENT LETTERHEAD**

June @@, 2019

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

Dear Ms. McKinnon:

We are providing this letter in connection with your audit of the financial statements of Board of Management of Toronto Zoo (the Zoo or the organization) as at December 31, 2018 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 of the Zoo, results of its operations, its remeasurement gains and losses and its cash flows in accordance with Canadian public sector accounting standards (the financial statements).

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 6, 2019 and in particular with respect to the following responsibilities:

- the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards including disclosures;
- 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;
- designing, implementing and maintaining an effective system of internal control to prevent and detect fraud;
- providing you with all relevant information and access, as agreed in the terms of the audit engagement; and
- ensuring 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 are fairly presented in accordance with Canadian public sector accounting standards, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the Zoo is subject. We have prepared the Zoo's financial statements on the basis that the Zoo is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger 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 statement of financial position account, which should have been written off to a profit and loss account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

**Other information**
We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on the Zoo's operations and the Zoo's financial results and financial position as set out in the financial statements.

**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.

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 control over financial reporting**
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 or the shareholders 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. The Zoo has 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, investors 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 November 29, 2018 for the Board of Management and on May 16, 2019 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 Zoo from whom you determined it necessary to obtain audit evidence.

**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 any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

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 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 2200, *Related Party Disclosures*, and all the related party relationships and transactions.

The identity and relationship of, and balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements as required by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*. We provided support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's length transaction.

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**
There are no events or conditions that, individually or collectively, may cast significant doubt on the Zoo's ability to continue as a 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).

**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 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 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 as at December 31, 2018 or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

**Misstatements**
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.

**Events after financial position date**
We have identified all events that occurred between December 31, 2018 and the date of this letter that may require adjustment of, or disclosure in the financial statements, and have effected such adjustment or disclosure.

**For the following specific representations, the terms "year end" and "year" are defined as each year end and each year respectively, covered by the audit of the financial** statements as stated above.

**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.

**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, 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).

**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.

Amounts receivable amounted to $6,574,428 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 FIFO, 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 as at year end 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 as at year-end. Liabilities for amounts unpaid are recorded for all items included in inventories as at year-end, and all quantities billed to customers as at year end 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.

All collections accounted for using the guidance in CPA Canada Public Sector Accounting Handbook Section 4240, *Collections held by Not-For-Profit Organizations*, meet the definition of a collection in PS4240.03.

**Accounts payable**
Accounts payable that are non-interest bearing and are expected to be paid more than a year after the initial recognition date have been classified as long term in the statement of financial position, initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

**Contributions**
We have recorded all contributions received during the year in the financial statements. We confirm that contributions received in the year have been recognized as revenue in the appropriate fund and reflect restrictions placed on the use of the contributions by the donor. We have disclosed to you the existence and nature of all external restrictions on material contributions received in the year.

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, 2018, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation dated December 31, 2018 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.

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, 2018 and their extrapolation to year end.

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, *Retirement Benefits*, and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, 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; and
- The assumptions included in the actuarial valuation are those that management instructed Morneau Shepell 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, *Retirement Benefits*.

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.

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 are determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

**Government transfers**

We have disclosed all significant terms and agreements in respect of transfers received from governments.

Transfers without eligibility criteria or stipulation shave been recognized as revenue once the transfer has been authorized.

Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.

Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook PS 3200, *Liabilities*.

**Environmental matters**
There are no liabilities or contingencies arising from environmental matters that have not already been disclosed to the auditor.

Liabilities or contingencies related to environmental matters have been recognized, measured and disclosed, as appropriate, in the financial statements.

We have considered the effect of environmental matters and the carrying value of the relevant assets is recognized, measured and disclosed, as appropriate, in the financial statements.

All commitments related to environmental matters have been measured and disclosed, as appropriate in the financial statements.

**Use of a specialist**
We assume responsibility for the findings of the specialist Morneau Shepell in evaluating the accrued benefit obligation and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

Yours truly,

**Board of Management of Toronto Zoo**

Mr. Dolf DeJong
Chief Executive Officer

Mr. Paul Whittam
Director - Administrative Services

Ms. Taryne Haight
Manager - Financial Services

## A - List of related entities

**Board Members*:**

- Councillor Paul Ainslie
- Dr. Cal Bricker (term ended April 16, 2019)
- Dr. Vanessa Choy
- Mr. Matthew Cole
- Mr. Paul Doyle (term ended April 16, 2019)
- Mr. Joshua Vinegar (term ended April 16, 2019)
- Dr. Ming-Tat Cheung (term ended April 16, 2019)
- Ms. Claudia Brabazon
- Ms. Cynthia Holmes

**Senior Management*:**

- Dolf DeJong, Chief Executive Officer
- Paul Whittam, Director — Administrative Services
- Taryne Haight, Manager — Financial Services

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

**City of Toronto – related parties**
**Agencies and Corporations:**

- Board of Governors of Exhibition Place
- Toronto Board of Health
- Board of Management of the Toronto Zoo
- Toronto Community Housing Corporation (TCHC)
- Build Toronto Inc. (BTI)
- Toronto Licensing Commission
- Casa Loma Corporation
- Toronto Pan Am Sports Centre Inc. (TPASC)
- Heritage Toronto
- Invest Toronto Inc.
- Toronto Police Services Board
- Lakeshore Arena Corporation
- Toronto Public Library Board
- Toronto Transit Commission (TTC)
- Toronto Waterfront Revitalization Corporation (TWRC)
- Yonge-Dundas Square
- Toronto Atmospheric Fund (TAF)
- Civic Theatres Toronto

**Government Business Enterprises:**

- Toronto Parking Authority
- Toronto Hydro Corporation

- City of Toronto Economic Development Corporation
- Toronto Port Lands (TPLC)

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

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

**Business Improvement Areas (BIA):**
- Albion Islington Square
- Forest Hill Village
- Riverside District
- Baby Point Gates
- Gerrard India Bazaar
- Roncesvalles Village
- Bayview Leaside
- Greektown on the Danforth
- Rosedale Main Street
- Bloor Annex
- Harbord Street
- Sheppard East Village
- Bloor By The Park
- Hillcrest Village
- shoptheQueensway.com
- Bloor Street
- Historic Queen East
- St. Clair Gardens

- Bloor West Village
- Junction Gardens
- St. Lawrence Market
- Bloor Yorkville
- Kennedy Road Neighbourhood
- Bloorcourt Village
- Kensington Market
- The Beach
- Bloordale Village
- Korea Town
- The Danforth
- Cabbagetown
- Lakeshore Village
- The Eglinton Way
- Chinatown
- Leslieville
- The Kingsway
- Church Wellesley Village
- Liberty Village
- The Waterfront
- City Place & Fort York
- Little Italy
- Toronto Entertainment
- College Promenade
- Little Portugal District
- College West
- Corso Italia
- Long Branch
- Marketo District
- Trinity Bellwoods
- Upper Village
- Crossroads of the Danforth
- Midtown Yonge
- Uptown Yonge
- Danforth Mosaic
- Mimico by the Lake
- Village of Islington
- Danforth Village
- Mimico Village
- West Queen West
- Dovercourt Village
- Mirvish Village
- Weston Village

- Downtown Yonge
- Mount Dennis
- Wexford Heights
- DuKe Heights
- Mount Pleasant
- Wilson Village
- Dundas West
- Oakwood Village
- Wychwood Heights
- Dupont by the Castle
- Ossington Avenue
- Yonge Lawrence Village
- Eglinton Hill
- Pape Village
- York Eglinton
- Emery Village
- Parkdale Village
- Fairbank Village
- Financial District
- Queen Street West
- Regal Heights Village