

Board of Management of the Toronto Zoo

Financial Statements
December 31, 2018

DRAFT

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Management of the Toronto Zoo

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	6,026,746	10,487,656
Accounts receivable		
City of Toronto (note 3(a))	5,211,160	48,011
Toronto Foundation (note 9)	98,247	98,247
Trade	1,265,021	1,778,009
Inventories	474,214	514,987
Prepaid supplies	244,106	228,921
	<u>13,319,494</u>	<u>13,155,831</u>
Capital assets (note 4)	2,853,542	2,858,768
Receivable from City of Toronto (note 3(b))	<u>11,802,646</u>	<u>11,680,239</u>
	<u>27,975,682</u>	<u>27,694,838</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 3(c))	7,737,243	8,303,880
Deferred revenue (note 5)	5,383,108	4,705,153
	<u>13,120,351</u>	<u>13,009,033</u>
Employee future benefits payable (note 6)	<u>11,802,646</u>	<u>11,680,239</u>
	<u>24,922,997</u>	<u>24,689,272</u>
Net Assets		
Accumulated remeasurement gains	131,168	79,994
Internally restricted fund (note 7)	<u>2,921,517</u>	<u>2,925,572</u>
	<u>3,052,685</u>	<u>3,005,566</u>
	<u>27,975,682</u>	<u>27,694,838</u>
Commitments and contingencies (notes 12 and 13)		

Approved by the Board of Directors

Director

Director

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

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Board of Management of the Toronto Zoo

Statement of Operations

For the year ended December 31, 2018

	2018		2017
	Budget \$ (note 14)	Actual \$	Actual \$
Revenue			
Funding from City of Toronto			
General appropriation	12,483,784	12,483,784	12,034,318
Capital works contribution	171,000	171,000	171,000
Restricted contributions and grants	697,856	961,412	766,211
Admission	15,666,436	12,556,746	13,475,402
Membership	3,464,335	3,192,401	3,080,287
Food services	7,213,150	6,319,952	6,584,031
Gift shop operations	2,849,000	2,416,199	2,818,581
Parking	3,596,479	3,208,232	3,288,629
Rides and rentals	1,319,252	1,225,720	1,169,490
Education programs	881,173	921,477	750,274
Other revenue and recoveries	1,044,338	1,402,074	1,003,648
Development (note 10)	3,092,430	629,187	833,097
Interest	-	1,171	692
	<u>52,479,233</u>	<u>45,489,355</u>	<u>45,975,660</u>
Expenses			
Operations and administration	20,046,614	18,458,066	17,500,206
Conservation, education and wildlife	15,404,579	15,915,850	15,613,335
Marketing and communications	3,545,563	3,374,667	2,857,722
Food services	5,468,714	5,225,586	5,131,949
Gift shop operations	2,218,627	2,039,078	2,237,335
General management	3,461,555	2,239,601	3,485,860
Development	2,347,377	464,635	551,640
Amortization of capital assets	-	758,094	799,140
Employee future benefits (recovery) (note 6)	-	122,407	(100,386)
	<u>52,493,029</u>	<u>48,597,984</u>	<u>48,076,801</u>
Deficiency of revenue over expenses before the following	(13,796)	(3,108,629)	(2,101,141)
Additional funding from City of Toronto (note 3(a))	-	2,982,167	2,505,092
Transfer to Zoo Stabilization Reserve Fund	-	-	(371,357)
Funding from (to) City of Toronto related to employee future benefits payable (note 3(b))	-	122,407	(100,386)
Deficiency of revenue over expenses for the year	(13,796)	(4,055)	(67,792)

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Board of Management of the Toronto Zoo

Statement of Changes in Net Assets

For the year ended December 31, 2018

	2018			2017
	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	2,925,572	-	2,925,572	2,993,364
Deficiency of revenue over expenses for the year	-	(4,055)	(4,055)	(67,792)
Interest on internally restricted fund	1,171	(1,171)	-	-
Change in net assets invested in capital assets	(5,226)	5,226	-	-
Net assets – End of year	2,921,517	-	2,921,517	2,925,572

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Board of Management of the Toronto Zoo

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2018

	2018 \$	2017 \$
Accumulated remeasurement gains – Beginning of year	79,994	47,457
Unrealized gains attributable to foreign exchange	51,174	32,537
Accumulated remeasurement gains – End of year	<u>131,168</u>	<u>79,994</u>

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Board of Management of the Toronto Zoo

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(4,055)	(67,792)
Add: Items not involving cash		
Amortization of capital assets	758,094	799,140
Employee future benefits (recovery) (note 6)	122,407	(100,386)
	876,446	630,962
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	(5,163,149)	4,480,973
Trade	512,988	170,655
Inventories	40,773	(25,056)
Prepaid supplies	(15,185)	(14,055)
Accounts payable and accrued liabilities	(515,463)	(148,250)
Deferred revenue	677,955	(259,608)
	(3,585,635)	4,835,621
Capital activities		
Purchase of capital assets	(752,868)	(1,102,013)
Financing activities		
Receivable from City of Toronto	(122,407)	100,386
Change in cash during the year	(4,460,910)	3,833,994
Cash – Beginning of year	10,487,656	6,653,662
Cash – End of year	6,026,746	10,487,656

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Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2018

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 (2017 – \$333,000) for the vehicle reserve and \$250,258 (2017 – \$250,258) for the insurance reserve, and are included in 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.

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Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2018**

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 \$1,044,148 (2017 – \$1,183,839).

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 amounts, 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:

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Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2018**

- 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 gain of \$990 (2017 – \$41,772) is included in the statement of operations. Unrealized foreign exchange gains are included in the statement of remeasurement gains and losses.

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Notes to Financial Statements

December 31, 2018

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 City of Toronto provides funding in the form of the General Appropriation to the Board, which amounted to \$12,483,784 in the current year (2017 – \$12,034,318). The Board incurred \$27,422 (2017 – \$33,398) for various expenses payable to the City such as legal and other administration costs. Transactions between the City and the Board are made at the agreed exchange amount. In addition, the Board manages on behalf of the City the capital program for the Zoo. As a result, the Board will incur capital expenses that are recoverable from the City and these expenses comprise a large component of the current receivable with the City at year-end.
- b) 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 \$1,263,191 (2017 – \$1,478,102). The amount payable to Toronto Hydro at year-end was \$229,980 (2017 – \$139,626) and is included in accounts payable and accrued liabilities.

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 \$2,156,649 (2017 – \$2,351,917) of capital improvements to the Zoo during the year. Since the capital facilities are not an asset of the Board, these amounts have not been recorded in these financial statements. Capital assets consist of the following:

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Computer equipment	192,731	180,664	12,067
Other equipment and animal structures	9,362,482	6,628,132	2,734,350
Furniture	403,263	296,138	107,125
	<u>9,958,476</u>	<u>7,104,934</u>	<u>2,853,542</u>

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	2017		
	Cost \$	Accumulated amortization \$	Net \$
Computer equipment	174,630	174,630	-
Other equipment and animal structures	8,650,988	5,907,792	2,743,196
Furniture	379,990	264,418	115,572
	<u>9,205,608</u>	<u>6,346,840</u>	<u>2,858,768</u>

5 Deferred revenue

Deferred revenue includes the funds that have been received from membership operations for future periods and contributions for specific operating projects the Board has not yet expended.

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

	2018 \$	2017 \$
Balance – Beginning of year	4,705,153	4,964,761
Amounts received	4,614,218	3,772,831
Amounts recognized	<u>(3,936,263)</u>	<u>(4,032,439)</u>
Balance – End of year	<u>5,383,108</u>	<u>4,705,153</u>

The amount of restricted contributions for specific operating projects included in deferred revenue as at December 31, 2018 is \$3,190,163 (2017 – \$2,581,456).

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.

	2018 \$	2017 \$
Sick leave	2,412,194	3,067,471
Other retirement and post-employment benefits	<u>9,306,886</u>	<u>9,989,052</u>
Total accrued benefit obligations	11,719,080	13,056,523
Unamortized actuarial gain (loss)	<u>83,566</u>	<u>(1,376,284)</u>
Total employee future benefits payable	<u>11,802,646</u>	<u>11,680,239</u>

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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:

	2018 \$	2017 \$
Balance – Beginning of year	13,056,523	11,843,802
Current service costs	539,504	326,382
Interest cost	406,789	388,572
Benefits paid	(868,698)	(761,664)
Actuarial (gain) loss	(1,415,038)	1,259,431
Balance – End of year	<u>11,719,080</u>	<u>13,056,523</u>

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

	2018 \$	2017 \$
Current service costs	539,504	326,382
Interest cost	406,789	388,572
Amortization of actuarial gain (loss)	44,811	(53,676)
	<u>991,104</u>	<u>661,278</u>

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.

Payments made during the year are as follows:

	2018 \$	2017 \$
Sick leave	234,050	159,319
Other retirement and post-employment benefits	634,648	602,345
	<u>868,698</u>	<u>761,664</u>

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

	2018 \$	2017 \$
Total expenses	991,105	661,278
Benefits paid	(868,698)	(761,664)
	<u>122,407</u>	<u>(100,386)</u>

The most recent actuarial valuation was completed on December 31, 2018. The next actuarial valuation will be completed in fiscal 2021.

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

	2018 %	2017 %
Discount rate for accrued benefit obligations		
Sick leave	3.2	3.1
Other retirement and post-employment benefits	3.1 – 3.4	2.7 – 3.5
Discount rate for accrued benefit costs		
Sick leave	3.2	3.1
Other retirement and post-employment benefits	3.1 – 3.4	2.7 – 3.5
Rate of compensation increase	3.0	3.0

For measurement purposes, a 6% (2017 – 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, 2018 amounted to \$1,888,043 (2017 – \$1,895,653).

7 Internally restricted fund

Details of the internally restricted net assets are as follows:

	2018 \$	2017 \$
Invested in capital assets	2,853,543	2,858,768
Ride & Revenue Development project	67,974	66,804
	<u>2,921,517</u>	<u>2,925,572</u>

The Board has internally restricted \$67,974 (2017 – \$66,804) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

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Notes to Financial Statements

December 31, 2018

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, 2018 is \$1,247,116 (2017 – \$nil).

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, 2018 was \$968,045 (2017 – \$946,981).

Zoo Stabilization Reserve Fund

In accordance with the City's policy on Reserve Funds, any surpluses due to operations are to be transferred to the City, unless the City approves a transfer to the Zoo Stabilization Reserve Fund. 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.

The balance of the Zoo Stabilization Reserve Fund as at December 31, 2018 was \$nil (2017 – \$1,337,663) as the prior year balance was transferred to the Zoo Animal Transaction Reserve Fund, in accordance with the motion approved by City Council in 2018, 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.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2018

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

	2018 \$	2017 \$
Donor restricted funds	3,211,269	3,303,058
Internally restricted	3,855,600	3,965,756
Unrestricted	5,888,158	5,998,473
	<u>12,955,027</u>	<u>13,267,287</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, 2018 is \$4,152,245 (2017 – \$4,291,073).

10 Development activities

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

	2018 \$	2017 \$
Contributions received	2,096,962	1,500,304
Contributions deferred	(1,467,775)	(667,207)
Development revenue	<u>629,187</u>	<u>833,097</u>

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

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.

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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	5,953,633	1,783,610	-	-	7,737,243

The Zoo believes its current sources of liquidity are sufficient to cover its known short-term obligations.

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, 2018, the harmonized sales tax recoverability amount represents 84% (2017 – 84%) of the total trade accounts receivable balance.

As at December 31, 2018, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	19,385	3,027	-	18,943

The Zoo believes it has low exposure to credit risk based on its past history with debtors.

12 Commitments

As at December 31, 2018, the Board was contractually committed for \$2,085,710 in capital expenditures. Payment of these commitments is expected in 2019, 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.

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14 Budgeted figures

The budgeted figures presented in the statement of operations have been obtained from the 2018 budget approved by the Council of the City of Toronto.

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