

Re: AU6.9h

Board of Management of the Toronto Zoo audit results for the year ending 2019

For presentation to the Policy & Finance Committee
July 8, 2020



A message from Terri McKinnon

I am pleased to provide you with the results of our audit of the financial statements of the Board of Management of the Toronto Zoo (the Zoo or the organization) for the year ended December 31, 2019.

The accompanying report is prepared 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 from our audit that we believe would be of greatest interest to the Policy & Finance Committee.

We have substantially completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements, pending resolution of outstanding items noted in this report. Our draft auditor's report is included as Appendix A.

We look forward to discussing our report with you on July 6, 2020. 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



On behalf of our team, I would like to express our sincere gratitude to the management and staff of the Board of Management of the Toronto Zoo for their cooperation and assistance throughout the course of our audit, especially during these challenging times.



Terri McKinnon
Partner

We are reimagining the possible, investing in our people and our technology to provide you with a digitally amplified and insightful audit.



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01 Status of the audit →



We have substantially completed our audit of the 2019 financial statements.

Outstanding items at the time of mailing are referred to in this report.

02 Significant audit, accounting and financial reporting matters →

1. Risk of Fraud in Revenue Recognition
2. Risk of material misstatement due to fraud in management override of controls
3. Related party transactions
4. Lumina project

03 Audit findings →

Misstatements

| | | | |
|---|------------|---|----------|
| 2 | Unadjusted | 5 | Adjusted |
|---|------------|---|----------|

Control deficiencies

| | | | |
|---|--------------------------|---|---------------------|
| 0 | Significant deficiencies | 0 | Material weaknesses |
|---|--------------------------|---|---------------------|

04 Other items for discussion →

05 PwC Canada's response to COVID-19 →

06 Appendices →



01

Status of the audit

We have substantially completed our audit of the 2019 financial statements (the financial statements).

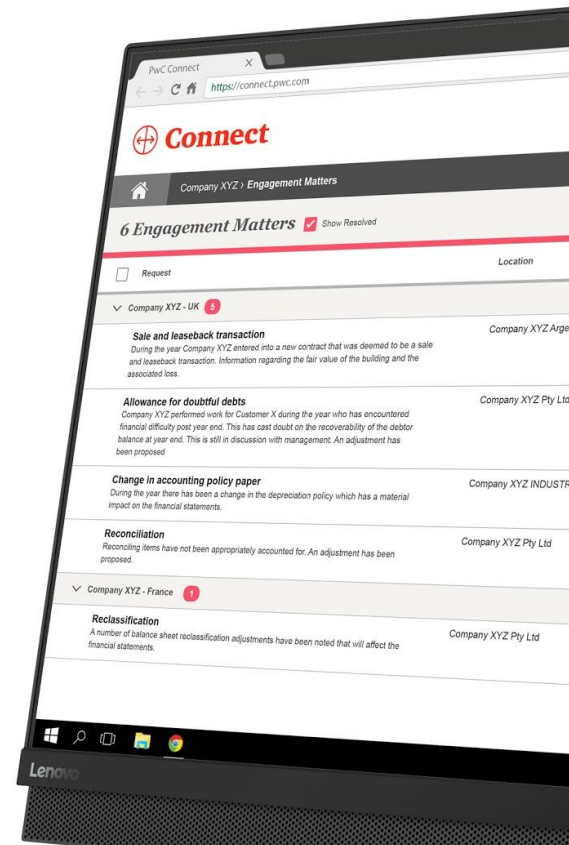


The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

1. Update legal confirmations;
2. Subsequent event procedures;
3. Receipt of signed management representation letter; and
4. Board approval of the financial statements.

Significant changes to our plan

It was noted during our audit that the Zoo entered into the service agreement for the Lumina Project. Additional procedures were required in order to assess the accountability of the transaction.



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Requests

[2]

Toronto Zoo employees



02

Significant audit, accounting and financial reporting matters



We are responsible for discussing our views about the significant qualitative aspects of the organization's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.



Significant audit, accounting and financial reporting matters

Audit risks and results

Matter #1 : Risk of fraud in revenue recognition

Background information

Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all organizations. We have considered the following criteria in assessing the risk:

- incentives/pressures to fraudulently misstate revenue transactions or related balances; and
 - potential opportunity and rationalization.
-

PwC's views

In order to address the risk of fraud in revenue recognition, we performed the following procedures:

- Obtained an understanding regarding the nature of all revenue streams;
- Obtained a confirmation from City of Toronto for funding for the period January 1, 2019 - December 31, 2019; and
- On a sample basis, traced selected revenue transactions from the revenue listing to the supporting payments received to ensure revenue was appropriately recognized.

We did not note any matters to bring to your attention.



Significant audit, accounting and financial reporting matters

Audit risks and results

Matter #2 : Risk of material misstatement due to fraud in management override of controls

Background information

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 views

To address the risk of management override of controls, and as a part of our fraud procedures, we performed the following:

- Obtained an understanding of the organization's financial reporting processes and the controls over major business processes;
- Identified risk criteria specific to the organization to scope in journal entries for testing;
- Used our proprietary data analytics tool, Halo, to identify journal entries based on risk criteria and tested identified entries to supporting documentation to determine validity;
- 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
- 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.

As a result of the testing performed above, there were no matters to bring to your attention.



Significant audit, accounting and financial reporting matters

Audit risks and results

Matter #3 : Related party transactions

Background information

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. In addition, there were related party transactions this year between the Toronto Zoo Wildlife Conservancy (the Conservancy) and the Zoo.

PwC's views

To address the above risk, we performed the following:

- 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;
- We reviewed management's assessment over the relationship between the Zoo and the Conservancy and agreed that the Zoo exercises significant influence over the Conservancy as at December 31, 2019;
- We reconciled the balances between the Conservancy and the Zoo as disclosed in the organization's financial statements; and
- We have also reviewed the related party note disclosure with respect to the relationship, transactions and balances with the City and the Conservancy for completeness and accuracy.

As a result of the testing performed above, we noted that the Zoo should have recorded a liability to the Conservancy in fiscal 2018 for \$500,000 as the Board had approved start up funding for the Conservancy at its meeting on November 29, 2018. The error is reported in section #3 Audit Findings of this presentation.



Significant audit, accounting and financial reporting matters

Accounting matters

Matter #4 : Lumina project

Background information

On July 3, 2019, the Board entered into a contract with a third party to provide the Lumina installation over a 3-year period on a seasonal basis. The Lumina Fund was established for the Board to report the Lumina project separate from the Board's City-funded operating budget.

The project cost was \$5.4 million and has been fully funded by a withdrawal from the Toronto Foundation (the Foundation) of undesignated funds held for the Toronto Zoo. Net proceeds from ticket sales are to be contributed to either the Toronto Foundation or the Conservancy at the direction of the Board of Directors.

PwC's views

We performed the following related to the new transaction:

- We obtained and reviewed the funding agreements between the Zoo and the Foundation, as well as the cash receipt of \$5 million from the Foundation;
- We obtained and reviewed the service agreement entered into between the Zoo and the third party supplier;
- We assessed the appropriate accounting for the above transactions under Public Sector Accounting Standards and concluded that the Zoo should account for:
 - the contract services cost (\$5.4 million) as intangible asset, to be amortized during the 3-year period.
 - the \$5 million funds received from the Foundation as contribution revenue of the period.
- On a sample basis we tested invoices related to \$5.4 million intangible asset addition; and
- We assessed the changes to the financial statements to disclose the Lumina fund as a separate fund and the related note disclosure with respect to the transactions above for completeness and accuracy.

As a result of the testing performed above, we have identified certain items, as reported in section #3 Audit Findings of this presentation. Management agreed to adjust for these items.

03

Audit findings



We are required to communicate any unadjusted and adjusted items, including disclosures and items that relate to prior periods or could impact future periods, and the effect that they may have on our opinion.



Audit findings

Summary of unadjusted and adjusted items

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Taken as a whole, the financial statements are free of material misstatement.

We did identify certain items and have discussed these with management and management has concluded that the remaining unadjusted items, which are summarized below, are immaterial individually and in aggregate.

We've also communicated the effects of any unadjusted items that relate to prior periods or those that could impact future periods.

We set overall materiality of \$1,490,000 based on 3% of revenue for the year. We reported unadjusted items over \$149,000 to the Board of Management.

Unadjusted items

| Unadjusted items affecting the years ended December 31, 2018 and 2019 | \$(CAD) |
|--|---------|
| To recognize contribution payable to the Conservancy (F2018) | 500,000 |
| To adjust the employee benefit discount rate used from 2.7% to 2.8% (F2019 - disclosure) | 161,000 |

Adjusted items

| Adjusting items for the year ended December 31, 2019 | \$(CAD) |
|---|-------------|
| To recognize intangible asset related to Lumina Project (net of amortization) | (5,410,642) |
| To recognize contributions from the Foundation related to Lumina Project | 5,000,000 |
| To recognize operating revenues related to Lumina project | 669,316 |
| To recognize operating expenses related to Lumina project | (730,303) |
| To classify funds owing from the Lumina Fund from City of Toronto receivable and accounts payable and accrued liabilities | 562,045 |



04

Other items for discussion



Working in harmony with you, we combine our judgement and experience to communicate matters that may assist you in overseeing both management's financial reporting process and our commitment to an effective audit.



Other items for discussion

Required communications

| | |
|---|--|
| Draft auditor's report | The draft auditor's report is included in Appendix A. |
| Management's representations | <p>We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.</p> <p>We requested our standard representations.</p> |
| Significant deficiencies in internal control | We have no significant internal control recommendations to report. |
| Fraud and illegal acts | <p>No fraud involving senior management or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention.</p> <p>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.</p> |
| Audit fees | Audit fees charged for fiscal 2019 amounted to \$36,870. |



05

PwC Canada's response to COVID-19



We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



PwC Canada's response to COVID-19

One of our core values is care. This means personally caring about each and every person who works for our organization, our clients, and is part of our communities. The health and safety of all these individuals, and their families, is our number one priority. Therefore, a component of our business continuity efforts is around pandemic planning. We believe pandemic planning and response efforts are a continuous cycle of information sharing and teaming with experts to help prevent, contain and recover from infectious diseases and viruses impacting our people and our clients.

While this coronavirus presents new challenges, PwC's approach to managing external risks remains the same — including our commitment to the safety of our people and having an open dialogue with internal and external stakeholders.

PwC has a well established Business Continuity and Disaster Recovery plan which includes pandemic planning to ensure that the firm can respond and operate within a range of scenarios. With regards to COVID-19, PwC has taken the necessary steps including implementing travel restrictions and equipping our staff with the tools they need to work remotely to continue to assist you in this challenging time.

Our technology enabled approach allows us to continue to deliver our services seamlessly:

- Our teams are working remotely and have the technology needed to do so. We also have the ability to conduct essential meetings with management and Audit Committees via voice/video conferencing and expect no disruption in this regard.
- We will stay connected with local management and be responsive to changes, particularly in terms of your policies and working practices.
- We have digital tools, like Connect, DocuSign and Google Visitor Sharing, to electronically administer the secure sharing of supporting documentation and deliverables between PwC and you.
- Our National office is evaluating the most effective way to address remote work options for procedures ordinarily conducted in person. We will work with management to complete these procedures safely and consistently with the policies instituted by both of our institutions.

We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



Use PwC's COVID-19 Navigator tool to assess the potential impact to your business and gauge your readiness to respond.

<https://www.pwc.com/ca/en/covid-19/response-navigator.html>



PwC Canada's response to COVID-19

Are you prepared for the potential impacts of COVID-19?

Financial reporting and finance

Potential impacts could arise in the areas of:

- Liquidity and going concern
- Impairment of non-financial assets
- Measurement of financial instruments
- Restructuring
- Insurance benefits
- Employee benefits
- Disclosures
- and more

Other key areas of focus

Other key areas that business leaders should focus on include:

- Workforce
- Crisis management and response
- Operations
- Financial planning and analysis



Read PwC In depth: Accounting implications of the effects of coronavirus

This In depth considers the broad implications of COVID-19 on periods ending after December 31, 2019.

<https://inform.pwc.com/show?action=applyInformContentTerritory&id=2033163303178016&tid=37>



Read COVID-19: What Canadian business leaders should know and listen to our weekly webcasts

This page includes content related to the key areas of focus and daily updates on the Government economic response

<https://www.pwc.com/ca/en/covid-19.html>



PwC's COVID-19 CFO Pulse Survey

87%

Potential for significant impact to business operations is causing great concern

40%

Estimate it would take 1 to 3 months for their company to get back to business as usual

Expect a decrease in revenue and profits

80%

Potential global recession is a concern

84%

Financial impact is a concern

64%

Click for more survey results
<https://www.pwc.com/us/en/library/covid-19/pwc-covid-19-cfo-pulse-survey.html>

Survey results displayed above are as of March 25, 2020.



PwC Canada's response to COVID-19

Impact of COVID-19 on the audit

Financial reporting and audit impact

We performed incremental procedures due to the impact of COVID-19, which could impact our risk assessment, materiality levels, and planned controls reliance. We have outlined key areas of focus and our procedures for the Zoo below:

| Area of focus | Description | PwC response |
|--|--|--|
| Revenue recognition | Admission revenues will decline in fiscal 2020 as a result of the closure of the Zoo in mid March following the government measures taken to control COVID-19. The closure has led to mass layoffs at the Zoo. | <ul style="list-style-type: none"> As the event has taken place subsequent to year-end, a subsequent note has been included in the financial statements to describe the impact on fiscal 2020 revenues. |
| Disclosures in financial statements | Additional disclosures may be required regarding the effect of COVID-19 on your operations within financial statements, based on PSAS disclosure standards. | <ul style="list-style-type: none"> The subsequent event note also includes a reference to fiscal 2020 revenues. |



Appendices

06

- 1 Draft auditor's report
- 2 Management representation letter
- 3 Responding to COVID-19



Appendix 1

Draft auditor's report





Independent auditor's report

To the Directors of Board of Management of the 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 the Toronto Zoo (the Board) as at December 31, 2019 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 Board's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- 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 Board 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

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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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 Board 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

- , 2020



Appendix 2

Management representation letter



Client Letterhead

July @, 2020

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) as at December 31, 2019 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 entered with the City of Toronto dated November 30, 2015.

We confirm the following representations:

- The preparation and fair presentation of the financial statements are in accordance with Canadian public sector accounting standards including disclosures;
- We designed, implemented and maintained 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;
- We designed, implemented and maintained an effective system of internal control to prevent and detect fraud;
- We provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- We ensured all transactions have been recorded in the accounting records and are reflected in the financial statements.

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 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 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 management, directors and committees of directors;
- 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 the 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, 2019 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.

The effects of the uncorrected misstatements in the financial statements, as summarized in Appendix B, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

The adjusted misstatements summarized in Appendix C have been approved by the Zoo and adjusted in the financial statements.

Events after financial position date

We have identified all events that occurred between December 31, 2019 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks

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

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

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

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

All cash and bank accounts and all other properties and assets of the Zoo are included in the financial statements.

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 \$7,092,192 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.

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.

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.

Contributions

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

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

Deferred revenue and deferred contributions

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

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

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

The details of all pension plan amendments since December 31, 2019, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation dated December 31, 2019 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, 2019 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 Zoo's borrowing rate using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.
- The assumptions included in the actuarial valuation are those that management instructed 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.

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 specialists 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 specialists 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 specialists.

Yours truly,

Board of Management of Toronto Zoo

Dolf DeJong, Chief Executive Officer

Alia Lee, Director - Finance & Computer Services

Appendix A - List of related parties

Toronto Zoo Wildlife Conservancy

Board Members:*

- Councillor Paul Ainslie
- Dr. Vanessa Choy
- Mr. Matthew Cole
- Ms. Claudia Brabazon
- Ms. Cynthia Holmes

Senior Management:*

- Dolf DeJong, Chief Executive Officer
- Alia Lee, Director, Finance & Computer 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

Appendix B - Summary of unadjusted items

| Adj. No. | Year | Financial statement line item | Adjustment title | Type | Amount DR/(CR) |
|-----------------|-------------|---|--|---------------|-----------------------|
| 1 | 2018 | Retained earnings | To recognize contribution payable due to the Conservancy | Factual/Known | 500,000 |
| | | Accounts payable - Wildlife Conservancy | | | (500,000) |
| 2 | 2019 | Unamortized actuarial gain (loss) | To adjust the employee benefit discount rate used from 2.7% to 2.8% (Note 7: Employee future benefits payable) | Judgemental | 161,000 |
| | | Sick Leave | | | (32,000) |
| | | Other retirement and post-employment benefits | | | (129,000) |

Appendix C - Summary of adjusted items

| Adj. No. | Year | Financial statement line item | Adjustment title | Type | Amount DR/(CR) |
|----------|------|--|--|---------------|----------------|
| 1 | 2019 | Intangible assets | To recognize intangible asset related to Lumina project (net of amortization) | Factual/Known | 5,410,642 |
| | | Amortization expense | | | 99,326 |
| | | Accounts payable and accrued liabilities | | | (8,910) |
| | | Due to Operating Fund | | | (5,501,058) |
| 2 | 2019 | Due to Operating Fund | To recognize contribution from Foundation related to Lumina project | Factual/Known | 5,000,000 |
| | | Development revenue | | | (5,000,000) |
| 3 | 2019 | Due to Operating Fund | To recognize operating revenue from Lumina project | Factual/Known | 669,316 |
| | | Lumina revenue | | | (669,316) |
| 4 | 2019 | Lumina expenses | To recognize operating revenue and expenses from Lumina project | Factual/Known | 730,303 |
| | | Due to Operating Fund | | | (730,303) |
| 5 | 2019 | Due from Lumina Fund | To correctly classify all funds owing from Lumina fund as Due from Lumina fund | Factual/Known | 562,045 |
| | | Receivable from City of Toronto | | | (160,313) |
| | | Accounts payable and accrued liabilities | | | (401,732) |



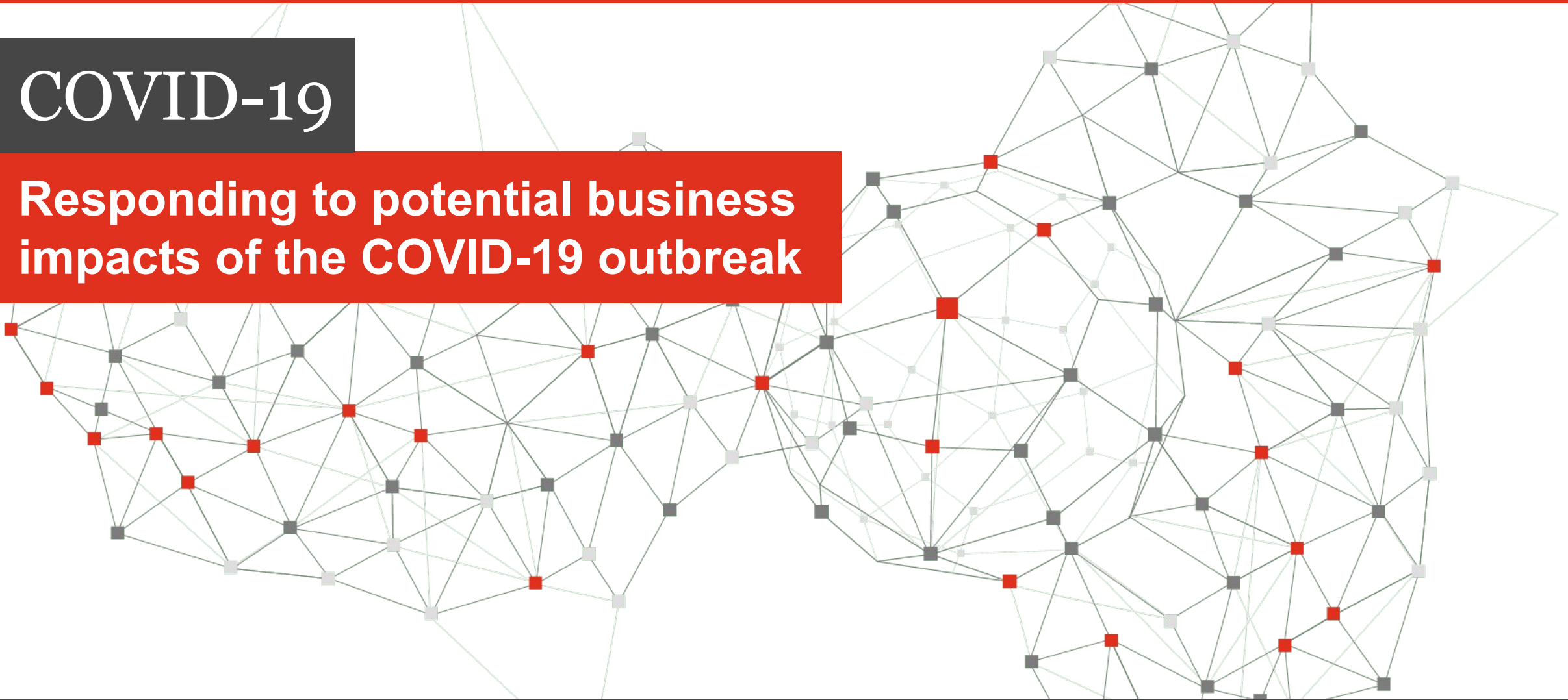
Appendix 3

Responding to COVID-19



COVID-19

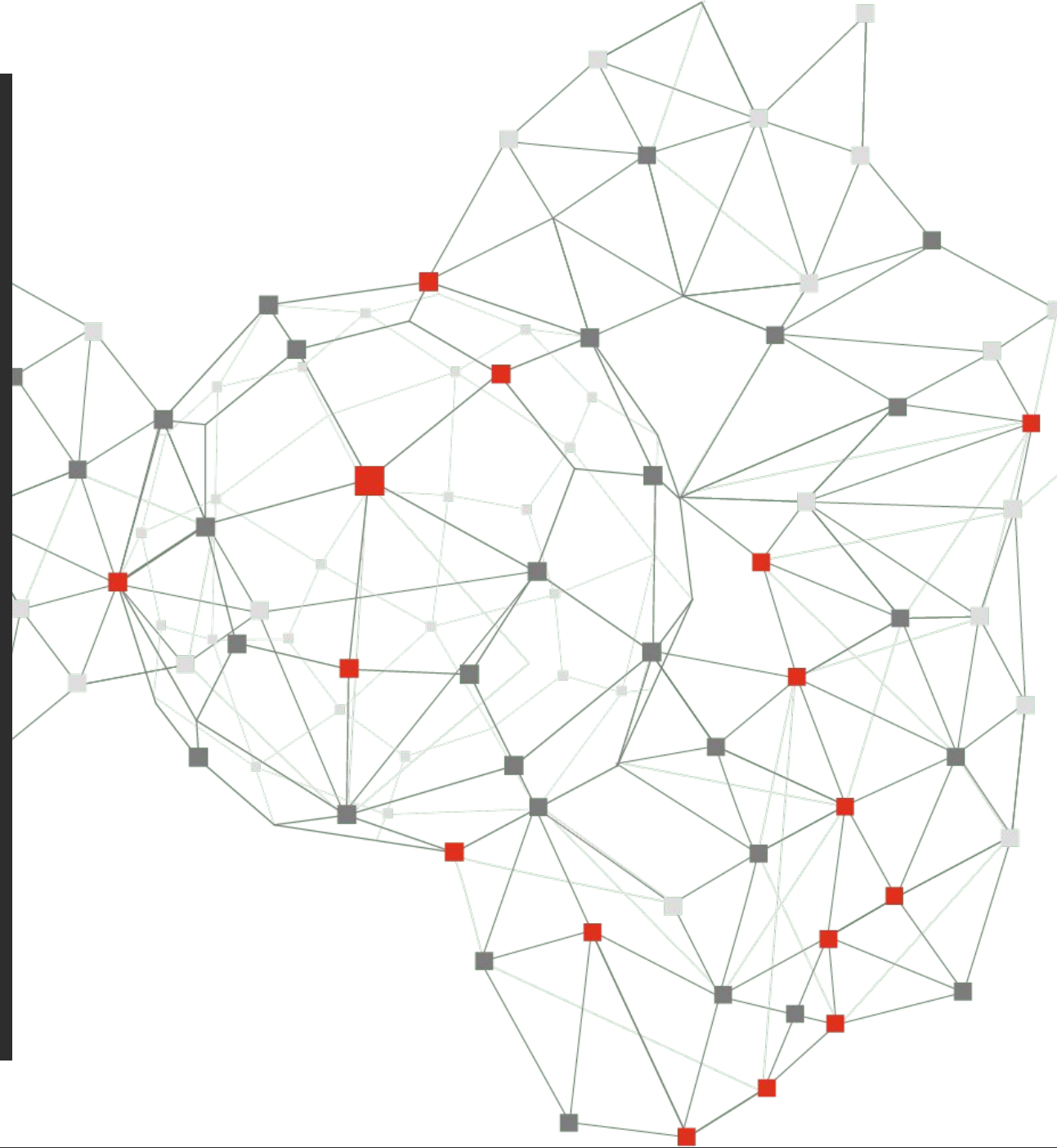
Responding to potential business impacts of the COVID-19 outbreak



The coronavirus, officially known as COVID-19, has been declared a public health emergency of international concern by the World Health Organization, causing significant impact on people's lives, families and communities. Chinese health officials have reported tens of thousands of infections in China, with the virus reportedly spreading from person to person. Infections are being reported in a growing number of international locations, including Canada.

As the global response continues to evolve, companies across all industries are facing several potentially significant challenges to which they need to respond rapidly. Industry sectors such as retail, transportation, hospitality and industrial products are particularly impacted.

PwC specialists have significant experience helping a diverse range of companies build their crisis response capabilities, and have helped them respond and emerge stronger from some of the most highly publicized crises in recent history.



Responding to COVID-19: What Canadian business leaders should know

We know that as this situation unfolds, you are grappling with confusion, fear and a multitude of concerns. First and foremost, the safety and security of your people are your first priority. Our Global Crisis Centre team has been actively monitoring the situation and connecting with impacted companies and organizations since last month. We've worked with a diverse range of companies, helping them through some of the most publicized crises and disruptive events in recent history. We are prepared to help you manage the wide range of challenges affecting your organization.



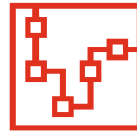
Crisis management + response:

Confidently navigate disruptive events



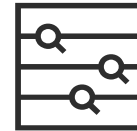
Workforce:

Protect your people + assets



Operations + supply chain:

Maintain business continuity through your supply chain



Financial reporting:

Know the accounting implications and reporting requirements



Tax + trade:

Understand tax and trade implications



Financial Planning and Analysis:

Rapid Scenario Planning and Business Intelligence

Our Global Crisis Centre is a team dedicated to enabling the PwC network to support our clients during their most stressful times. When a crisis hits, we can bring together people with the necessary skills within hours.

We bring the **right experts** to you **quickly**

We enable you to **continue to run your business**

We identify **priorities**, while not losing sight of the **bigger picture**

We share **insights** specific to your industry, region and crisis type

Workforce: Protect your people and assets

Common challenges + worries

- Tracking and having visibility into the safety, security and well-being of your workforce, including those on business travel and secondment. Travellers may be subject to quarantines, or may overstay visas due to travel restrictions
- Protecting employees and keeping the work environment safe, particularly for those in critical business operations roles
- Having timely and accurate information — and ability to fact-check it — in order to make important workforce decisions (e.g., regulation requirements, travel bans, evacuations)
- Ability for leaders to confidently guide their workforce, while inspiring them, managing fear, and reliably communicating news and contingency planning
- Having the infrastructure and management capabilities to support flexible and remote work arrangements
- Setting up hotlines so your workforce can ask questions and you can provide guidance and manage misinformation
- Managing and getting ahead of any negative publicity in cases where you don't respond in "just the right way"

Suggested next steps

- Align leaders on crisis communications readiness, and develop strategy and execution plans
- Get HR ready: review flexible and remote work, immigration, travel, first aid, and other relevant policies and regulations
- Ensure workforce safety: test emergency contact systems and ensure the accuracy of contact information for all employees
- Ramp up remote working and communication capabilities, prioritizing technology, IT infrastructure and security
- Review contingency plans for compromised infrastructure, power, water, fuel, transport
- Ensure the site management team's readiness on crisis response protocols (e.g., OSHA compliance) for those on-site

How we've helped others

In the wake of a prolific virus outbreak, a governmental client needed to rapidly reach out to their 270,000 health employees across the country. PwC worked directly with senior government officials to develop the internal communications strategy and plans for the Ministry of Health. We drafted content for internal communications on raising awareness of the virus in non-affected hospitals. This expanded to inform all health employees of the risks of a different outbreak on another continent. We also included a number of new communication channels to help drive employees online, including communication hotspots in sites across the country.

Our team has also helped multiple clients in the areas of communications, leadership alignment, and behavioral change as part of large scale risk and regulatory / crisis response.

You are not alone. We are here to help.

- Global employee mobility
- Immigration deployment + workforce planning
- Flexible work arrangements and remote working models
- Health + Welfare benefits planning
- Human Capital Management strategies
- Leadership + Communications
- Communications strategy + planning: direct to affected areas; duty of care; reactive communications
- Remote technology planning, IT infrastructure, security plans
- Company purpose + strategy planning
- Inclusive work culture
- Corporate culture
- Employee well-being strategy



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Crisis Management + Response: Confidently navigate disruptive events



Common challenges + worries

- Not knowing who is in charge of managing the company response
- Feeling that you are unprepared to handle the crisis or losing control of the situation
- Not understanding the crisis plan, or knowing where it is and who owns it
- Worrying that you don't have the right data to inform the decisions you need to make today
- Dealing with uncoordinated or competing internal priorities that can lead to internal or external miscommunications
- Succumbing to stakeholder pressures to take immediate action before the full picture is clear
- Neglecting critical stakeholders - including employees
- Losing authenticity and credibility because of mixed messaging or negative public sentiment
- Identifying longer-reaching risks and impacts
- Not knowing which experts to call

Suggested next steps

- Review crisis and business continuity plans
- Establish a core crisis team to coordinate response efforts and define objectives
- Identify functional workstreams and align activity with response objectives
- Determine strategies for engaging with key internal and external stakeholders
- Base the immediate response and communications on established facts
- Develop different scenarios and put them to the test in order to prepare for unknown variables surrounding the outbreak

How we've helped others

A major consumer financial data company publicly announced a significant data breach and sought support on various fronts related to crisis management, data security, business operations and strategy. The company needed to develop a response strategy for the immediate incident, while also engaging with regulators, customers and business partners about their plan to transform their security system to address longer-term business concerns.

PwC assisted the client with a host of response activities, including by helping them design and execute a stakeholder engagement strategy to align relevant business customers with the scope, impact and remediation plan that the company had developed.

You are not alone. We are here to help.

Prepare

- Planning and capabilities review
- Current state assessment and remediation roadmap
- Crisis scenario planning
- Exercises and simulations

Respond

- Response team mobilization
- Strategy and governance model
- Stakeholder engagement strategy
- Operational response and fact-finding support

Emerge stronger

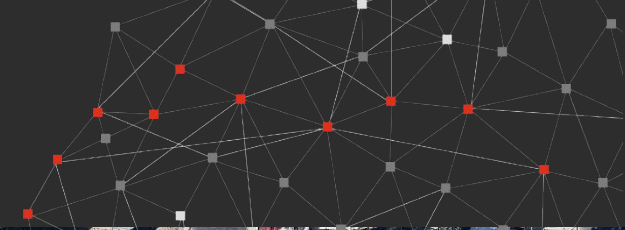
- Recovery strategy and "looking around the corner"
- Crisis program build and enhancements
- Employee training and plan socialization



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Operations + Supply Chain: Maintain business continuity through your supply chain



Common challenges + worries

- Understanding supply availability and constraints at all tiers of the supply chain and having a method to maintain this data as situations evolve
- Identifying specific supply constraint remediation levers that are either immediately available or available in the shorter term and validating them (e.g., enabling alternate suppliers, securing overtime or expedited freight)
- Converting the risk-adjusted supply situation into estimates of revenue deferral and revenue loss, along with understanding any one-time costs
- Communicating with key supply chain stakeholders multiple times a week as the virus and policies on quarantine, etc., continue to rapidly evolve
- Working with sales to shape demand to available supply and to allocate inventory to top customers and the most profitable markets
- Reassessing pending new-product introductions: where built and sold
- Making informed trade-offs for more expensive remediations, such as approving supplier or bill-of-material changes that might take lead time to deploy
- Thinking through more creative ways to improve supply assurance, such as helping finance supplier inventory exposure where capitalization is thin

Suggested next steps

- Stand up a 'situation room' where supply risk and mitigations can be coordinated with other risk management teams
- Build a tiered factual base of supply: what's available and constrained, and set the mechanism to regularly update the data
- Set clear roles and accountabilities, as well as closed-loop communication protocols, for actions that could impact revenue, cost of revenue, customer satisfaction and other essential areas
- Develop expected-case and worst-case scenarios designed to help ensure that supply aligns to demand and there are plans for each

How we've helped others

- Assess where supply risk exists with categorization into potential for revenue deferral, and versus loss
- Identify supply remediation options and analyze the timing of impact and / or costs for levers like rerouted freight
- Establish processes to enable sales-driven actions within the supply chain where supply is constrained: allocations and demand shaping
- Determine gaps and opportunities in supply chain risk-modeling tools, and determine how to better consider external factors, such as disease, natural disasters, labor strikes, shifts in trade policies and more

You are not alone. We are here to help.

- Business continuity planning
- Margin impact / revenue displacement
- Understand cost increases: overtime, expedited freight, premiums
- Inventory and raw material buy-ahead strategies
- Supply chain resilience and network agility
- Supply chain intelligence, visibility and planning tools, including machine learning
- Landed cost tools and strategies
- Tariff assessments and mitigation for changing supply chains



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Financial reporting: Know the accounting implications and reporting requirements



Common challenges + considerations

- The coronavirus may impact a company's operations, and consequently, the nature and amounts and disclosures in the financial statements and more broadly.
- Companies may need to adjust revenue recognition for changes in estimates of amounts customer will pay. Collectibility of receivables will also need to be assessed and revenue recognition may be impacted if payment is not probable.
- When disruption to the supply chain and reduced demand affect financial projections, there's the possibility of impairments. Also, decreases in production can also require manufacturing overhead to be expensed.
- There may be impacts in other areas, like hedge accounting, stock compensation, and more.
- Process changes from the above items can impact internal controls
- Stakeholders, including regulators, are focused on the transparency of disclosure of the actual as well as anticipated impacts. The impacts may be direct or indirect and could include effects on supply chains, service providers, business partners, capital providers, and business practices.

Suggested next steps

- Evaluate the breadth of impact considering both direct and indirect effects. Each element of financial reporting impacted by the outbreak may have specific disclosure requirements or may otherwise require disclosure.
- Consider the need to discuss the impact of the coronavirus outside the financial statements, such as in the description of the business; risk factors; and management's discussion and analysis of results, liquidity, and capital resources (including consideration of trends and uncertainties).
- Review coverage and limits of any business interruption insurance. Determine how to substantiate lost revenue or income and over what period of time.

How we've helped others

PwC provides trusted advisors for accounting, financial reporting and valuation support (be sure to verify services with independence for audit clients). We are well-versed and experienced in regulatory and reporting requirements.

We are helping clients assess subsequent events disclosures as well as the accounting for business interruption, supply chain disruption, and other impacts of the virus.

Specialists serve as a resource for navigating complex accounting issues and disclosure requirements and keep companies informed of key developments and considerations.

You are not alone. We are here to help.

- Evaluation of financial processes and controls
- Insight and assistance in navigating complex accounting issues
- Guidance on all types of accounting issues
- Assistance in accounting, financial reporting, and valuations



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Tax and trade implications

Common challenges + worries

- Income tax, transfer pricing, indirect tax, and tariff issues that are due to disrupted supply chains and shifts in operations
- Addressing income tax implications of repatriating or redeploying key personnel
- Cross-border tariff and compliance implications of getting needed emergency exports to China (e.g., medical supplies)
- Understanding impacts of disruption on tax attributes, losses, recoveries and reinvestment plans
- Impacts of costs and risk on transfer pricing policies
- Potentially lasting impacts on tax footprint and operating models
- Reporting and disclosures to ensure tax and customs compliance

Suggested next steps

- Evaluate tax, trade and tariff implications of alternatives to your global supply chain
- Track business travelers, provide immigration assistance, address income tax implications of repatriating global employees
- Understand how to get needed exports to China quickly (e.g., medical equipment and supplies), including import processes to minimize delays through expedited customs procedures
- Seek advice on utilizing tax losses, other tax attributes and tax impact of cash repatriation that may arise from the emergency
- Assess Asian structure and review other plans to diversify Asia operating models, while considering cross-border tax and transfer pricing issues
- Understand any required changes in reporting and disclosures required for tax and customs compliance

How we've helped others

Through a holistic approach to global structuring, we have provided the world's top businesses with tax and trade advice to optimize their global and regional value chains and operating models, including supply chains.

We bring an unmatched combination of industry, strategy, global mobility, HR, immigration, tax, analytics and technology expertise from around the world to assist clients in critical people and organizational situations.

Our global network of customs experts utilizes our relationships and expertise to facilitate import/export of goods for our clients.

We help companies determine proper tax treatment of losses and other attributes at the US federal and state levels, when emergencies, such as Hurricane Katrina, occur.

Our technology-enabled quantitative solutions practice helps the world's largest companies model the impacts of cross-border tax regimes on their tax attributes and financial cost.

You are not alone. We are here to help.

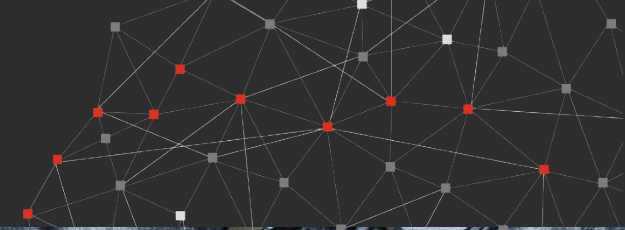
- Proactive customs and tariff strategies
- Global trade policy consulting
- Regulatory risk remediation
- Global structuring
- Value chain transformation
- Transfer pricing planning
- Tax- and tariff-efficient supply chain strategies
- Global trade services
- Global mobility consulting
- Immigration services
- US federal tax planning
- US state tax planning
- Hedging and cash planning



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Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence



Common challenges + worries

- Increased pressure to re-forecast cash flows and scenario analysis from internal and external stakeholders (e.g. Board of Directors, Shareholders/ Investors, Creditors, etc.)
- Having sufficient forecast information to enable your sales and operational teams to make effective decisions (e.g. forecasts by SKU, region, etc).
- Ensuring your forecast tools can adequately capture “downside” scenarios, incorporating impacts of fixed, variable and step-variable costs as well as sales and operational planning issues (e.g. supply chain)
- Ensuring you have robust forecast assumptions/drivers to allow you to confidently communicate the expected impact of COVID-19 on your business. For example:
 - What is the overall impact on demand for our sector and business compared to others?
 - How would a lockdown impact our business (e.g. demand, sales channels, workforce productivity, etc.)?
 - What is our exposure to “at risk” markets (e.g. demand, supply chain, counterparties, etc.)?
- Understanding the potential impacts on your bank covenants, credit agreements and normalization adjustments for EBITDA

Suggested next steps

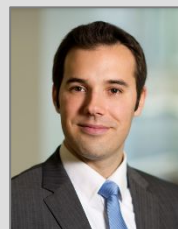
- Rapid assessment of your current state forecasting and scenario planning capabilities. In particular, forecast tools needed to enable rapid updates and their granularity must meet the needs of relevant stakeholders to support better decision making, particularly around sales and operational planning
- Leveraging data and analytics to provide better business intelligence supporting your forecast assumptions (e.g. extracting data on demand and supply chain trends by SKU/region)
- Leveraging external data sources and predictive analytics to enhance the forecast process, including consideration of impact of comparable incidents (e.g. SARS, swine flu, etc.)

How we've helped others

- Development of strategic cash flow models based on value drivers that are aligned to the needs of the business and key stakeholders
- Development of 13 week cash flow models (based on receipts and disbursements of the business) that incorporate demand, and supply chain realities to better manage day-to-day cash flow
- Leveraging data and analytics to develop better business intelligence for forecast assumptions, incorporating internal and external data sources
- Utilizing predictive analytics to help forecast demand based on key variables (e.g. demographic, macroeconomic trends, prior incidents, etc.)
- Detailed scenario modelling, including the impact on covenant, credit agreements and normalized EBITDA

You are not alone. We are here to help.

- Driver based **strategic planning models** that forecast cash flows under various scenarios.
- Detailed **13 week cash flow models** to support day-to-day cash flow management.
- **Data and analytics** to provide better business intelligence for key forecast assumptions.
- **Predictive forecasting** to provide greater insights into demand forecasting and risk assessment.
- **Financial model review** to enhance confidence in your forecast tools.



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The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

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