

To: Board of Management

From: Director, Finance & Technology

Subject: **2019 DRAFT FINANCIAL STATEMENTS**

Date: 2020-07-10

SUMMARY:

This report submits the draft 2019 financial statements for approval. The financial statements were reviewed by the Policy & Finance Committee at its meeting of 2020-07-08 and were recommended for approval by the Board.

RECOMMENDATION:

It is recommended that the draft financial statements of the Board of Management of the Toronto Zoo for the year ended December 31, 2019, attached as Attachment 1 to this report, be approved.

FINANCIAL IMPACT:

There is no financial impact resulting from the adoption of the recommendations in this report.

BACKGROUND:

Attached are the financial statements of the Board of Management of the Toronto Zoo for the year ended December 31st, 2019. The firm of PricewaterhouseCoopers, Chartered Professional Accountants, is the auditor for the City of Toronto and accordingly is the auditor for the Board.

COMMENTS:

The financial statements require the approval of the Board of Management. The audited financial statements are prepared in accordance with, and meet the standards required by, Public Sector Accounting Standard (PSAS) related to Government Not-for-Profit Organizations (NPO's). Additionally, these statements reflect the requirements of PSAS related to accounting for post-employment benefits. The impact of post-employment benefits expense is actuarially determined and is non-cash in nature. As such, they are not budgeted for as part of the financial planning process for Agencies, Boards, and Commissions.

The auditor's report related to the 2019 financial statements concludes that the statements present fairly the financial results of the Board of Management. Once approved by the Board, the financial statements and the report of the Auditor will be forwarded to the City Audit Committee and City Council for information.

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Alia Lee
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ATTACHMENTS:

Attachment 1 - Toronto Zoo Draft Financial Statements - Year Ended 2019-12-31

DRAFT

ZB10.3 - Attachment 1

Board of Management of the Toronto Zoo

Financial Statements
December 31, 2019

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, 2019

	Operating \$	Lumina \$	2019 Total \$	2018 Total \$
Assets				
Current assets				
Cash	6,276,731	-	6,276,731	6,026,746
Accounts receivable				
City of Toronto (note 3(a))	5,360,925	-	5,360,925	5,211,160
Toronto Foundation (note 10)	98,247	-	98,247	98,247
Trade	1,633,020	-	1,633,020	1,265,021
Inventories	642,207	-	642,207	474,214
Prepaid supplies	255,888	-	255,888	244,106
Due from Lumina Fund	562,045	-	562,045	-
	14,829,063	-	14,829,063	13,319,494
Capital assets (note 4)	2,790,939	-	2,790,939	2,853,542
Intangible asset (note 5)	-	5,410,642	5,410,642	-
Receivable from City of Toronto (note 3(b))	12,014,119	-	12,014,119	11,802,646
	29,634,121	5,410,642	35,044,763	27,975,682
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities				
Toronto Zoo Wildlife Conservancy (note 3(d))	800	-	800	-
Trade (note 3(c))	8,915,170	8,910	8,924,080	7,737,243
Deferred revenue (note 6)	5,796,775	-	5,796,775	5,383,108
Due to Operating Fund	-	562,045	562,045	-
	14,712,745	570,955	15,283,700	13,120,351
Employee future benefits payable (note 7)	12,014,119	-	12,014,119	11,802,646
	26,726,864	570,955	27,297,819	24,922,997
Net Assets				
Accumulated remeasurement gains	46,917	-	46,917	131,168
Internally Restricted Fund (note 8)	2,860,340	-	2,860,340	2,921,517
Lumina Fund (note 10)	-	4,839,687	4,839,687	-
	2,907,257	4,839,687	7,746,944	3,052,685
	29,634,121	5,410,642	35,044,763	27,975,682

Commitments and contingencies (notes 13 and 14)

Subsequent events (note 16)

Approved by the Board of Directors

Director

Director

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT

NOT TO BE FURTHER COMMUNICATED

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

Board of Management of the Toronto Zoo

Statement of Operations

For the year ended December 31, 2019

	2019			2018	
	Operating Budget \$ (note 15)	Operating Actual \$	Lumina Actual \$	Total Actual \$	Total Actual \$
Revenue					
Funding from City of Toronto					
General appropriation	12,461,752	12,461,752	-	12,461,752	12,483,784
Capital works contribution	171,000	171,000	-	171,000	171,000
Restricted contributions and grants	711,651	909,403	-	909,403	961,412
Admission	15,882,880	13,615,761	580,450	14,196,211	12,556,746
Membership	3,464,641	3,558,224	23,909	3,582,133	3,192,401
Food services	7,213,150	7,218,251	23,082	7,241,333	6,319,952
Gift shop operations	2,849,000	2,548,768	23,016	2,571,784	2,416,199
Parking	3,601,426	3,386,003	18,744	3,404,747	3,208,232
Rides and rentals	1,682,723	1,696,649	115	1,696,764	1,225,720
Education programs	917,351	998,309	-	998,309	921,477
Other revenue and recoveries	1,044,338	1,354,697	-	1,354,697	1,402,074
Development (notes 10 and 11)	3,092,430	375,509	5,000,000	5,375,509	629,187
Interest	-	1,427	-	1,427	1,171
	53,092,342	48,295,753	5,669,316	53,965,069	45,489,355
Expenses					
Operations and administration	19,192,891	18,754,850	730,303	19,485,153	18,458,066
Conservation, education and wildlife	15,673,167	15,786,146	-	15,786,146	15,915,850
Marketing and communications	3,422,476	3,242,835	-	3,242,835	3,374,667
Food services	5,467,714	5,634,764	-	5,634,764	5,225,586
Gift shop operations	2,246,916	2,154,388	-	2,154,388	2,039,078
General management	3,914,047	2,951,240	-	2,951,240	2,239,601
Development	3,175,131	202,736	-	202,736	464,635
Amortization of capital assets	-	714,373	-	714,373	758,094
Amortization of intangible assets	-	-	99,326	99,326	-
Employee future benefits (note 7)	-	211,473	-	211,473	122,407
	53,092,342	49,652,805	829,629	50,482,434	48,597,984
Excess (deficiency) of revenue over expenses before the following	-	(1,357,052)	4,839,687	3,482,635	(3,108,629)
Additional funding from City of Toronto (note 3(a))	-	1,084,402	-	1,084,402	2,982,167
Funding from City of Toronto related to employee future benefits payable (note 3(b))	-	211,473	-	211,473	122,407
Excess (deficiency) of revenue over expenses for the year	-	(61,177)	4,839,687	4,778,510	(4,055)

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

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

Board of Management of the Toronto Zoo

Statement of Changes in Net Assets

For the year ended December 31, 2019

	2019			2018
	Internally restricted \$	Operating Actual \$	Lumina Actual \$	Total Actual \$
Net assets – Beginning of year	2,921,517	-	-	2,921,517
Excess (deficiency) of revenue over expenses for the year	-	(61,177)	4,839,687	4,778,510
Interest on Internally Restricted Fund	1,427	(1,427)	-	-
Change in net assets invested in capital assets	(62,604)	62,604	-	-
Net assets – End of year	2,860,340	-	4,839,687	7,700,027

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**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Management of the Toronto Zoo

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2019

	2019 \$	2018 \$
Accumulated remeasurement gains – Beginning of year	131,168	79,994
Remeasurement losses recognized in the statement of operations	(131,168)	(79,994)
Unrealized gains attributable to foreign exchange	46,917	131,168
Accumulated remeasurement gains – End of year	46,917	131,168

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
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Board of Management of the Toronto Zoo

Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	4,778,510	(4,055)
Add: Items not involving cash		
Amortization of capital assets	714,373	758,094
Amortization of intangible asset	99,326	-
Unrealized (losses) gains attributable to foreign exchange	(84,251)	51,174
Employee future benefits	211,473	122,407
	5,719,431	927,620
Changes in non-cash working capital balances		
Accounts receivable		
City of Toronto	(149,765)	(5,163,149)
Trade	(367,999)	512,988
Inventories	(167,993)	40,773
Prepaid supplies	(11,782)	(15,185)
Accounts payable and accrued liabilities		
Toronto Zoo Wildlife Conservancy	800	-
Trade	1,186,837	(566,637)
Deferred revenue	413,667	677,955
	6,623,196	(3,585,635)
Capital activities		
Purchase of capital assets	(651,770)	(752,868)
Purchase of intangible asset	(5,509,968)	-
	(6,161,738)	(752,868)
Financing activities		
Receivable from City of Toronto	(211,473)	(122,407)
Change in cash during the year	249,985	(4,460,910)
Cash – Beginning of year	6,026,746	10,487,656
Cash – End of year	6,276,731	6,026,746

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

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

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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 9). In addition, the City maintains an Endangered Species Reserve Fund for the Board (note 9).

On March 27 and 28, 2019, the City approved a motion to authorize the Board to enter into a contract to implement a seasonal light experience, the Lumina Project, for the purpose of establishing a new revenue-generating activity. Furthermore, the City approved the Lumina Project to be managed as a separate fund (Lumina Fund) with net proceeds to be contributed to the Toronto Foundation (note 10). On July 3, 2019, the Board entered into a contract with a third party to introduce the Lumina Project over a 3-year period on a seasonal basis. The City approved a motion authorizing the Zoo to withdraw \$5,000,000 from the undesignated funds held in Toronto Foundation. This is recorded as revenue in the Lumina Fund.

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 9).

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 \$496,000 (2018 – \$333,000) for the vehicle reserve and \$264,184 (2018 – \$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.

Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2019**

Fund accounting

The Board utilizes fund accounting and the financial statements separately disclose the activities of the following funds maintained by the Board:

- The Operating Fund accounts for the Board's operating and administrative activities. This fund reports unrestricted resources available for immediate purposes.
- The Lumina Fund accounts for the activities related to the Lumina Project, which will run over a three-year period.

Revenue recognition

The Board follows the deferral method of accounting for contributions. Unrestricted contributions (development revenue and general appropriation funding from the City) 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.

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 \$1,108,165 (2018 – \$1,044,148).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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

Intangible asset

Intangible asset consists of costs related to the Lumina Project and is recorded at cost and is amortized on a straight-line basis over its estimated useful life of three years.

Impairment of long-lived assets

When a long-lived asset no longer contributes to the Board's ability to provide services, or the value of future economic benefits or service potential associated with the long-lived asset is less than its net carrying amount, the net carrying amount of the long-lived asset shall be written down to the asset's fair value or replacement cost.

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:

- 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;

Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2019**

- 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 loss of \$2,524 (2018 – gain of \$990) is included in the statement of operations. Unrealized foreign exchange gains are included in the statement of remeasurement gains and losses.

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.

Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2019**

3 Related party transactions

- a) In the normal course of operations, the City provides funding in the form of the General Appropriation to the Board, which amounted to \$12,461,752 in the current year (2018 – \$12,483,784). The Board incurred \$82,199 (2018 – \$27,422) 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 7) 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 \$1,335,438 (2018 – \$1,263,191). The amount payable to Toronto Hydro as at year-end was \$127,041 (2018 – \$229,980) and is included in accounts payable and accrued liabilities.
- d) During the year, Toronto Zoo Wildlife Conservancy (the Conservancy) was formed with the purpose of raising funds for the Zoo programs. The Conservancy is an independent corporation incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act (Canada). The Conservancy has its own Board of Directors and is responsible for all fundraising activities carried out on behalf of the Zoo and provides grants in support of the Zoo's priorities. The Zoo has significant influence over the Conservancy, however the Zoo does not control the Conservancy. The accounts of the Conservancy are not included in these financial statements. During the year, the Zoo received \$333,334 (2018 – \$nil) for payroll and administration services incurred on behalf of the Conservancy. Correspondingly, the Zoo reimbursed the Conservancy in the amount of \$334,134 for certain contributions received by the Zoo on the Conservancy's behalf. There is an amount owing to the Conservancy as at December 31, 2019 of \$800 (2018 – \$nil). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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 \$4,264,525 (2018 – \$2,156,649) 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:

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Computer equipment	192,731	186,695	6,036
Other equipment and animal structures	9,998,716	7,311,860	2,686,856
Furniture	418,798	320,751	98,047
	<u>10,610,245</u>	<u>7,819,306</u>	<u>2,790,939</u>
	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>

5 Intangible asset

Intangible asset consists of the following:

	2019		2018
	Cost \$	Accumulated amortization \$	Net \$
Lumina Project (note 10)	5,509,968	99,326	5,410,642
			<u>-</u>

6 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.

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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

	2019 \$	2018 \$
Balance – Beginning of year	5,383,108	4,705,153
Amounts received	5,717,398	4,614,218
Amounts recognized	(5,303,731)	(3,936,263)
Balance – End of year	5,796,775	5,383,108

The amount of restricted contributions for specific operating projects included in deferred revenue as at December 31, 2019 is \$3,385,067 (2018 – \$3,190,163).

7 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.

	2019 \$	2018 \$
Sick leave	2,626,043	2,412,194
Other retirement and post-employment benefits	10,586,337	9,306,886
Total accrued benefit obligations	13,212,380	11,719,080
Unamortized actuarial gain (loss)	(1,198,261)	83,566
Total employee future benefits payable	12,014,119	11,802,646

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:

	2019 \$	2018 \$
Balance – Beginning of year	11,719,080	13,056,523
Current service costs	407,343	539,504
Interest cost	395,739	406,789
Benefits paid	(540,490)	(868,698)
Actuarial (gain) loss	1,230,708	(1,415,038)
Balance – End of year	13,212,380	11,719,080

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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

	2019 \$	2018 \$
Current service costs	407,343	539,504
Interest cost	395,739	406,789
Amortization of actuarial gain (loss)	(51,119)	44,811
	<u>751,963</u>	<u>991,104</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:

	2019 \$	2018 \$
Sick leave	127,433	234,050
Other retirement and post-employment benefits	413,057	634,648
	<u>540,490</u>	<u>868,698</u>

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

	2019 \$	2018 \$
Total expenses	751,963	991,105
Benefits paid	(540,490)	(868,698)
	<u>211,473</u>	<u>122,407</u>

The most recent actuarial valuation was completed on December 31, 2019. 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:

	2019 %	2018 %
Discount rate for accrued benefit obligations		
Sick leave	2.5	3.2
Other retirement and post-employment benefits	2.4 – 2.7	3.1 – 3.4
Discount rate for accrued benefit costs		
Sick leave	2.5	3.2
Other retirement and post-employment benefits	2.4 – 2.7	3.1 – 3.4
Rate of compensation increase	3.0	3.0

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT

NOT TO BE FURTHER COMMUNICATED

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

For measurement purposes, a 6% (2018 – 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, 2019 amounted to \$1,941,492 (2018 – \$1,895,653).

8 Internally Restricted Fund

Details of the internally restricted net assets are as follows:

	2019 \$	2018 \$
Invested in capital assets	2,790,939	2,853,543
Ride & Revenue Development project	69,401	67,974
	<u>2,860,340</u>	<u>2,921,517</u>

The Board has internally restricted \$69,401 (2018 – \$67,974) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

9 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, 2019 is \$1,226,313 (2018 – \$1,247,116).

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, 2019 was \$1,042,664 (2018 – \$968,045).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

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, 2019 was \$nil (2018 – \$nil) 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.

10 Toronto Foundation

The Toronto Foundation (the Foundation) performs a financial stewardship role over funds donated and designated to the Zoo in accordance with the terms of agreements with the Board. Any transfers of funds to the Foundation are managed and stewarded separately on the Board's behalf.

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

	2019 \$	2018 \$
Donor restricted funds	3,613,481	3,211,269
Internally restricted	3,347,632	3,855,600
Unrestricted	7,301,248	10,040,403
	<u>14,262,361</u>	<u>17,107,272</u>

For the year ending December 31, 2019, \$5 million was withdrawn from the undesignated funds at Toronto Foundation and was recognized as revenue in the Lumina Fund to fund the intangible asset.

11 Development activities

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

	2019 \$	2018 \$
Contributions received	1,499,753	2,096,962
Contributions deferred	<u>(1,124,244)</u>	<u>(1,467,775)</u>
Development revenue	<u>375,509</u>	<u>629,187</u>

Contributions received for program expenses not yet incurred are reflected in deferred revenue on the statement of financial position (note 6).

Board of Management of the Toronto Zoo

Notes to Financial Statements

December 31, 2019

12 Financial risk management

The main risks to which the Zoo's financial instruments are exposed are as follows.

Currency risk

The Zoo is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its purchases in US dollars. Financial instruments subject to foreign currency risk include cash, accounts receivable and accounts payable and accrued liabilities.

The Zoo does not use derivative instruments to reduce its exposure to foreign currency risk. The Zoo believes the exposure to currency risk is low given the low magnitude and volume of foreign currency transactions.

Liquidity risk

Liquidity risk is the risk the Zoo will not be able to meet its financial obligations when they come due.

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	7,140,470	-	1,783,610	-	8,924,080

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, 2019, the harmonized sales tax recoverability amount represents 88% (2018 – 84%) of the total trade accounts receivable balance.

As at December 31, 2019, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	29,393	3,725	-	16,202

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

Board of Management of the Toronto Zoo**Notes to Financial Statements****December 31, 2019**

13 Commitments

As at December 31, 2019, the Board was contractually committed for \$4,716,176 in capital expenditures. Payment of these commitments is expected in 2020, based on management's best estimate.

14 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.

15 Budgeted figures

The budgeted figures presented in the statement of operations have been obtained from the 2019 budget approved by the Council of the City.

16 Subsequent events

Since December 31, 2019, the outbreak of the coronavirus pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. As a result, the Zoo was closed on March 14, 2020 and began limited activities for the public on May 20, 2020. These events may have a material impact on the Zoo's revenues earned in fiscal 2020 as well as its workforce.

As the situation continues to evolve rapidly, the Zoo is unable to quantify the potential impact this pandemic may have on its financial statements. However, the Zoo is financially supported by the City.

