

DRAFT #3
May 2, 2022

Financial Statements of

**BOARD OF MANAGEMENT OF
THE TORONTO ZOO**

And Independent Auditors' Report thereon

Year ended December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Directors of Board of Management of the Toronto Zoo

Opinion

We have audited the financial statements of Board of Management of the Toronto Zoo (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- 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 notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Vaughan, Canada

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Operating	Lumina	2021	2020
Assets				
Current assets:				
Cash	\$ 8,358,092	\$ —	\$ 8,358,092	\$ 7,303,862
Accounts receivable:				
City of Toronto (note 3(a))	3,799,166	—	3,799,166	6,199,381
Toronto Foundation (note 10)	98,247	—	98,247	98,247
Toronto Zoo Wildlife Conservancy (note 3(e))	865,655	—	865,655	77,041
Trade	2,319,426	—	2,319,426	1,970,377
Inventories	708,058	316	708,374	704,609
Prepaid supplies	291,222	—	291,222	267,587
Due from Lumina Fund	16,558	—	16,558	326,098
	16,456,424	316	16,456,740	16,947,202
Capital assets (note 4)	2,274,156	—	2,274,156	2,525,425
Intangible asset (note 5)	—	1,521,253	1,521,253	3,465,948
Receivable from City of Toronto (note 3(b))	12,688,848	—	12,688,848	12,317,528
	\$ 31,419,428	\$ 1,521,569	\$ 32,940,997	\$ 35,256,103

Liabilities

Current liabilities:				
Accounts payable and accrued liabilities:				
Trade (note 3(c))	\$ 9,250,091	\$ 7,676	\$ 9,257,767	\$ 10,834,265
Deferred revenue (note 6)	7,135,790	—	7,135,790	6,000,333
Due to Operating Fund	—	16,558	16,558	326,098
	16,385,881	24,234	16,410,115	17,160,696
Employee future benefits payable (note 7)	12,688,848	—	12,688,848	12,317,528
	29,074,729	24,234	29,098,963	29,478,224

Net Assets

Internally Restricted Fund (note 8)	2,344,699	—	2,344,699	2,595,547
Lumina Fund	—	1,497,335	1,497,335	3,132,490
	2,344,699	1,497,335	3,842,034	5,728,037
Accumulated remeasurement gains	—	—	—	49,842
	2,344,699	1,497,335	3,842,034	5,777,879
Commitments and contingencies (notes 12 and 13)				
	\$ 31,419,428	\$ 1,521,569	\$ 32,940,997	\$ 35,256,103

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

				2021	2020
	Operating budget (note 14)	Operating actual	Lumina actual	Total	Total
Revenue:					
Funding from City of Toronto					
(note 3(a)):					
General appropriation	\$ 19,444,300	\$ 19,444,300	\$ –	\$ 19,444,300	\$ 12,772,302
COVID-19 emergency funding	–	–	–	–	10,473,571
Capital works contribution	171,000	171,000	–	171,000	171,000
Restricted contributions and grants	754,534	1,140,321	–	1,140,321	524,635
Admission	10,452,955	9,367,729	717,067	10,084,796	8,693,265
Membership	4,191,870	2,717,895	22,842	2,740,737	1,937,864
Food services	4,711,035	4,145,201	57,570	4,202,771	2,000,319
Gift shop operations	1,844,105	1,738,376	196	1,738,572	1,060,807
Parking	2,997,584	2,987,466	28,365	3,015,831	1,687,284
Rides and rentals	784,055	881,923	–	881,923	291,118
Education programs	55,983	353,359	–	353,359	155,999
Other revenue and recoveries	834,405	1,188,592	38,602	1,227,194	1,605,928
Development	405,000	–	–	–	–
Interest	–	421	–	421	721
	46,646,826	44,136,583	864,642	45,001,225	41,374,813
Expenses:					
Operations and administration	15,305,474	12,842,842	555,102	13,397,944	14,572,398
Conservation, education and wildlife	13,663,730	14,452,479	–	14,452,479	14,032,192
Marketing and communications	6,939,579	5,175,481	–	5,175,481	5,854,578
Food services	3,641,770	3,438,441	–	3,438,441	1,945,694
Gift shop operations	2,010,922	1,674,964	–	1,674,964	1,353,268
General management	4,822,349	4,141,374	–	4,141,374	4,363,337
Development	263,002	159,352	–	159,352	132,241
Amortization of capital assets	–	752,042	–	752,042	712,658
Amortization of intangible asset	–	–	1,944,695	1,944,695	1,944,694
Employee future benefits (note 7)	–	371,320	–	371,320	303,409
	46,646,826	43,008,295	2,499,797	45,508,092	45,214,469
Excess (deficiency) of revenue over expenses before the undernoted	–	1,128,288	(1,635,155)	(506,867)	(3,839,656)
Additional funding from (transfer to) City of Toronto	–	(1,750,456)	–	(1,750,456)	1,564,257
Funding from City of Toronto related to employee future benefits payable (note 3(b))	–	371,320	–	371,320	303,409
Deficiency of revenue over expenses	\$ –	\$ (250,848)	\$ (1,635,155)	\$ (1,886,003)	\$ (1,971,990)

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

				2021	2020
	Internally restricted (note 8)	Operating actual	Lumina actual	Total	Total
Net assets, beginning of year	\$ 2,595,547	\$ –	\$ 3,132,490	\$ 5,728,037	\$ 7,700,027
Deficiency of revenue over expenses	–	(250,848)	(1,635,155)	(1,886,003)	(1,971,990)
Interest on Internally Restricted Fund	421	(421)	–	–	–
Change in net assets invested in capital assets	(251,269)	251,269	–	–	–
Net assets, end of year	\$ 2,344,699	\$ –	\$ 1,497,335	\$ 3,842,034	\$ 5,728,037

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Remeasurement Gains and Losses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 49,842	\$ 46,917
Remeasurement gain recognized in the statement of operations	(49,842)	(46,917)
Unrealized gain attributable to foreign exchange	—	49,842
Accumulated remeasurement gains, end of year	\$ —	\$ 49,842

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (1,886,003)	\$ (1,971,990)
Items not involving cash:		
Amortization of capital assets	752,042	712,658
Amortization of intangible asset	1,944,695	1,944,694
Realized loss (gain) attributable to foreign exchange	(49,842)	2,925
Employee future benefits	371,320	303,409
Change in non-cash working capital balances:		
Accounts receivable:		
City of Toronto	2,400,215	(838,456)
Toronto Zoo Wildlife Conservancy	(788,614)	(77,041)
Trade	(349,049)	(337,357)
Inventories	(3,765)	(62,402)
Prepaid supplies	(23,635)	(11,699)
Accounts payable and accrued liabilities:		
Toronto Zoo Wildlife Conservancy	—	(800)
Trade	(1,576,498)	1,910,185
Deferred revenue	1,135,457	203,558
	1,926,323	1,777,684
Financing activities:		
Receivable from the City of Toronto	(371,320)	(303,409)
Capital activities:		
Purchase of capital assets	(500,773)	(447,144)
Increase in cash	1,054,230	1,027,131
Cash, beginning of year	7,303,862	6,276,731
Cash, end of year	\$ 8,358,092	\$ 7,303,862

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements

Year ended December 31, 2021

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.

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

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(c)).

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 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.

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).

The Board is a registered charity and as such, is not subject to income taxes.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

2. 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.

(a) Fund accounting:

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

- (i) The Operating Fund accounts for the Board's operating and administrative activities.
- (ii) The Lumina Fund accounts for the activities related to the Lumina Project, which will run over a three-year period.

(b) 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 rentals is recognized at the 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.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(c) Cash:

Cash represents cash in the bank. There are no restrictions on the cash balances held at the financial institution.

(d) 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 \$696,739 (2020 - \$622,876).

(e) 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

(f) 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.

(g) 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.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(h) 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.

(i) Employee future benefits:

The Board provides retirement and post-employment benefits to certain employee groups. These benefits include 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.

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) 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;
- (ii) 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;
- (iii) past service costs from plan amendments are recognized in the year incurred;

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(iv) employee future benefit liabilities are discounted using the City's cost of borrowing; and

(v) net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

(j) 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 of Toronto. 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.

(k) 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.

(l) Use of estimates:

The preparation of these financial statements 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 year. The most significant item subject to management's estimate is employee future benefits payable. Actual results could differ from those estimates.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Related party transactions:

- (a) In the normal course of operations, the City provides funding in the form of General Appropriation to the Board, which amounted to \$19,444,300 in the current year (2020 - \$12,772,302). In 2020, the City provided additional emergency funding in the amount of \$10,473,571 to help cover operating costs attributed to the impact of COVID-19. The Board incurred \$57,872 (2020 - \$52,691) 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 from the City (note 7), 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 \$1,188,295 (2020 - \$1,293,675). The amount payable to Toronto Hydro as at year-end was \$219,586 (2020 - \$240,648) and is included in accounts payable and accrued liabilities.
- (d) 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 (2020 - \$496,000) for the vehicle reserve and nil (2020 - \$269,413) for the insurance reserve, and are included in operations and administration on the statement of operations.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Related party transactions (continued):

(e) The Toronto Zoo Wildlife Conservancy (the "Conservancy") was formed with the purpose of raising funds for Zoo programs and 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 incurred \$157,451 (2020 - \$126,299) for payroll and administration services on behalf of the Conservancy. The Conservancy received contributions on behalf of the Zoo in the amount of \$135,762 (2020 - nil). There is an amount owing to the Zoo as at December 31, 2021 of \$865,655 (2020 - \$77,041). 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.

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 \$10,293,761 (2020 - \$7,679,495) 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:

2021	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 240,327	\$ 208,592	\$ 31,735
Other equipment and animal structures	10,871,397	8,706,344	2,165,053
Furniture	446,438	369,070	77,368
	<u>\$ 11,558,162</u>	<u>\$ 9,284,006</u>	<u>\$ 2,274,156</u>

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Capital assets (continued):

2020	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 192,731	\$ 192,731	\$ –
Other equipment and animal structures	10,418,220	7,992,697	2,425,523
Furniture	446,438	346,536	99,902
	\$ 11,057,389	\$ 8,531,964	\$ 2,525,425

5. Intangible asset:

The intangible asset consists of costs related to the Lumina Project. The Board financed the purchase of the intangible asset and it consists of the following:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Lumina Project	\$ 5,509,968	\$ 3,988,715	\$ 1,521,253	\$ 3,465,948

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.

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

	2021	2020
Balance, beginning of year	\$ 6,000,333	\$ 5,796,775
Amounts received	5,611,042	3,435,727
Amounts recognized	(4,475,585)	(3,232,169)
Balance, end of year	\$ 7,135,790	\$ 6,000,333

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Employee future benefits payable:

Information about the Board's defined benefit plans, other than the multi-employer defined benefit plan, has been noted, in aggregate, below.

	2021	2020
Sick leave	\$ 1,491,641	\$ 2,941,009
Other retirement and post-employment benefits	13,141,785	11,706,862
Total accrued benefit obligations	14,633,426	14,647,871
Unamortized actuarial loss	(1,944,578)	(2,330,343)
	\$ 12,688,848	\$ 12,317,528

The Board adopted the current Illness & Injury Plan 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:

	2021	2020
Balance, beginning of year	\$ 14,647,871	\$ 13,212,380
Current service costs	565,381	489,533
Interest cost	277,009	354,306
Benefits paid	(585,143)	(586,935)
Actuarial loss (gain)	(271,692)	1,178,587
Balance, end of year	\$ 14,633,426	\$ 14,647,871

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

	2021	2020
Current service costs	\$ 565,381	\$ 489,533
Interest cost	277,009	354,306
Amortization of actuarial loss	114,073	46,505
	\$ 956,463	\$ 890,344

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Employee future benefits payable (continued):

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 a deficiency of revenue over expenses from budget.

Payments made during the year are as follows:

	2021	2020
Sick leave	\$ 154,503	\$ 149,233
Other retirement and post-employment benefits	430,640	437,702
	\$ 585,143	\$ 586,935

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

	2021	2020
Total expenses	\$ 956,463	\$ 890,344
Benefits paid	(585,143)	(586,935)
	\$ 371,320	\$ 303,409

The most recent actuarial valuation was completed on December 31, 2021. The next actuarial valuation will be completed in fiscal 2024.

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

	2021	2020
Discount rate for accrued benefit obligations:		
Sick leave	2.3%	1.5%
Other retirement and post-employment benefits	2.0 - 2.7%	1.2% - 2.0%
Discount rate for accrued benefit costs:		
Sick leave	2.3%	1.5%
Other retirement and post-employment benefits	2.0 - 2.7%	1.2% - 2.0%
Rate of compensation increase	3.0%	3.0%

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Employee future benefits payable (continued):

For measurement purposes, a 2.0% (2020 - 2%) annual rate of increase in the per capita cost of covered health-care benefits was assumed.

Total employer contributions made to OMERS for the year ended December 31, 2021 amounted to \$1,935,907 (2020 - \$2,176,731). The Zoo does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees. The Zoo is current with all payments to OMERS. As at December 31, 2021, OMERS has a deficit of \$3.1 billion (2020 - \$3.2 billion). The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2020. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2023.

8. Internally Restricted Fund:

Details of the Internally Restricted Fund are as follows:

	2021	2020
Invested in capital assets	\$ 2,274,156	\$ 2,525,425
Ride & Revenue Development project	70,543	70,122
	<u>\$ 2,344,699</u>	<u>\$ 2,595,547</u>

The Board has internally restricted \$70,543 (2020 - \$70,122) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

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.

(a) 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, 2021 is \$1,209,478 (2020 - \$1,222,071).

(b) 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, 2021 is \$803,615 (2020 - \$929,934).

(c) 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.

As at December 31, 2021 and 2020, there is no balance in the Zoo Stabilization Reserve Fund.

10. Toronto Foundation:

Toronto 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 Toronto Foundation are managed and stewarded separately on the Board's behalf. There were no transfers in 2020 and 2021.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Toronto Foundation (continued):

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

	2021	2020
Donor restricted funds	\$ 4,222,334	\$ 3,776,002
Internally restricted	4,064,480	3,519,875
Unrestricted	8,227,468	7,104,334
	<u>\$ 16,514,282</u>	<u>\$ 14,400,211</u>

For the year ended December 31, 2021, \$135,762 (2020 - \$21,998) was withdrawn from the donor restricted funds at Toronto Foundation and was recorded as deferred revenue in the Operating Fund to fund specific projects.

As the related expenses are incurred on the specific projects, restricted contributions and grants revenue is recognized.

11. Financial risk management:

(a) Financial instruments:

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

(i) Currency risk:

The Zoo is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its purchases in U.S. 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.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Financial risk management (continued):

(ii) 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	\$ 8,270,973	\$ –	\$ 682,964	\$ 303,830	\$ 9,257,767

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

(iii) 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 any potential credit losses. There are nil amounts recorded as allowance for doubtful accounts for the year ended December 31, 2021 and 2020. As at December 31, 2021, the harmonized sales tax recoverability amount represents 52% (2020 - 96%) of the total trade accounts receivable balance.

As at December 31, 2021, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$ 61,125	\$	\$	\$ 184,185

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

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Financial risk management (continued):

(b) Market risk:

The COVID-19 pandemic and the measures taken to contain the virus continue to impact the global economy. Canadian and Provincial governments continue to enact emergency measures to control the spread of the virus. The Zoo was closed from December 26, 2020 to June 11, 2021 with members allowed back on site as of June 12, 2021 and the general public on June 19, 2021. These events had a material impact on the Zoo's revenue earned in fiscal 2021 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.

12. Commitments:

As at December 31, 2021, the Board was contractually committed, on behalf of the City, for \$7,054,517 (2020 - \$7,692,141) in capital expenditures. Payment of these commitments is expected in 2022, based on management's best estimate.

13. Contingencies:

In the normal course of its operations, the Board is subject to various arbitrations, litigations and claims. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable.

14. Budgeted figures:

The budgeted figures presented in the statement of operations have been obtained from the 2021 budget approved by City Council.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

15. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted in the current year.