

Financial Statements of

**BOARD OF MANAGEMENT OF
THE TORONTO ZOO**

And Independent Auditor's Report thereon

Year ended December 31, 2023

INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets 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, 2023, and its results of operations, its changes in net assets 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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.

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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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, 2023, with comparative information for 2022

	Operating	Lumina	2023	2022
Assets				
Current assets:				
Cash	\$ 30,090,155	\$ –	\$ 30,090,155	\$ 27,251,013
Accounts receivable:				
City of Toronto	2,371,818	–	2,371,818	1,958,658
Toronto Foundation	98,247	–	98,247	98,247
Toronto Zoo Wildlife				
Conservancy (note 3(f))	2,463,413	–	2,463,413	327,777
Trade	2,506,955	–	2,506,955	2,105,629
Inventories	1,159,452	316	1,159,768	768,624
Prepaid supplies	358,005	–	358,005	334,374
Interfund receivable (payable)	(7,359)	7,359	–	–
	39,040,686	7,675	39,048,361	32,844,322
Capital assets (note 4)	9,418,445	–	9,418,445	6,606,362
Receivable from City of Toronto (note 3(b))	13,141,265	–	13,141,265	13,022,974
	\$ 61,600,396	\$ 7,675	\$ 61,608,071	\$ 52,473,658

Liabilities

Current liabilities:				
Accounts payable and accrued liabilities:				
City of Toronto (note 3(a))	\$ 20,611,180	\$ –	\$ 20,611,180	\$ 10,006,192
Trade (note 3(c))	8,507,584	7,675	8,515,259	10,541,694
Deferred revenue (note 5)	6,313,176	–	6,313,176	6,660,693
	35,431,940	7,675	35,439,615	27,208,579
Loan payable to City of Toronto (note 3(e))	8,373,073	–	8,373,073	8,373,073
Employee future benefits payable (note 6)	13,141,265	–	13,141,265	13,022,974
	56,946,278	7,675	56,953,953	48,604,626

Net Assets

Internally Restricted Fund (note 7)	6,182,628	–	6,182,628	3,755,933
Operating Fund	(1,528,510)	–	(1,528,510)	–
Lumina Fund	–	–	–	113,099
	4,654,118	–	4,654,118	3,869,032
Commitments (note 11)				
Contingencies (note 12)				
Contractual rights (note 13)				
	\$ 61,600,396	\$ 7,675	\$ 61,608,071	\$ 52,473,658

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, 2023, with comparative information for 2022

	2023			2022	
	Operating budget (note 14)	Operating actual	Lumina actual	Total	Total
Revenue:					
Funding from City of Toronto					
(note 3(a)):					
General appropriation	\$ 14,664,992	\$ 14,664,992	\$ –	\$ 14,664,992	\$ 17,419,086
Capital works contribution	171,000	171,000	–	171,000	171,000
Restricted contributions and grants	1,243,125	1,006,897	–	1,006,897	763,709
Admission	17,677,497	19,664,425	281,478	19,945,903	16,301,823
Membership	5,247,515	4,429,826	6,011	4,435,837	5,296,812
Food services	7,181,720	8,923,012	22,133	8,945,145	7,830,987
Gift shop operations	3,050,000	3,354,385	31	3,354,416	3,280,024
Parking	4,686,013	4,385,942	14,295	4,400,237	4,319,870
Rides and rentals	1,313,453	2,379,518	–	2,379,518	1,966,291
Education programs	976,697	1,195,644	–	1,195,644	886,097
Other revenue and recoveries	2,396,513	1,515,743	–	1,515,743	3,427,624
Development	–	145,052	–	145,052	229,826
Interest	–	2,981	–	2,981	1,613
	58,608,525	61,839,417	323,948	62,163,365	61,894,762
Expenses:					
Operations and administration	19,077,246	15,995,043	261,953	16,256,996	15,582,294
Conservation, education and wildlife	17,768,337	16,405,020	–	16,405,020	16,148,987
Marketing and communications	9,244,110	10,662,391	–	10,662,391	8,125,284
Food services	3,641,770	7,766,511	–	7,766,511	6,446,676
Gift shop operations	2,022,992	3,254,683	–	3,254,683	3,012,575
General management	6,854,070	6,064,195	–	6,064,195	5,304,552
Development	–	205,201	–	205,201	219,279
Amortization of capital assets	–	2,301,355	–	2,301,355	1,577,707
Amortization of intangible asset	–	–	–	–	1,521,253
Employee future benefits (note 6)	–	118,291	–	118,291	334,126
	58,608,525	62,772,690	261,953	63,034,643	58,272,733
Excess (deficiency) of revenue over expenses before the undernoted	–	(933,273)	61,995	(871,278)	3,622,029
Additional transfer from (to) City of Toronto	–	1,538,073	–	1,538,073	(3,929,157)
Funding from City of Toronto related to employee future benefits payable (note 3(b))	–	118,291	–	118,291	334,126
Excess of revenue over expenses	\$ –	\$ 723,091	\$ 61,995	\$ 785,086	\$ 26,998

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	2023			2022	
	Internally restricted (note 7)	Operating	Lumina	Total	Total
Net assets, beginning of year	\$ 3,755,933	\$ –	\$ 113,099	\$ 3,869,032	\$ 3,842,034
Excess of revenue over expenses	–	712,091	61,995	785,086	26,998
Interest on Internally Restricted Fund	2,981	(2,981)	–	–	–
Change in net assets invested in capital assets	2,423,714	(2,423,714)	–	–	–
Interfund transfer	–	175,094	(175,094)	–	–
Net assets, end of year	\$ 6,182,628	\$ (1,528,510)	\$ –	\$ 4,654,118	\$ 3,869,032

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 785,086	\$ 26,998
Items not involving cash:		
Amortization of capital assets	2,301,355	1,577,707
Amortization of intangible asset	—	1,521,253
Employee future benefits	118,291	334,126
Change in non-cash working capital balances:		
Accounts receivable:		
City of Toronto	(413,160)	1,840,508
Toronto Zoo Wildlife Conservancy	(2,135,636)	537,878
Trade	(401,326)	213,797
Inventories	(391,144)	(60,250)
Prepaid supplies	(23,631)	(43,152)
Accounts payable and accrued liabilities:		
City of Toronto	10,604,988	10,006,192
Trade	(2,026,435)	1,283,927
Deferred revenue	(347,517)	(475,097)
	8,070,871	16,763,887
Financing activities:		
Receivable from the City of Toronto	(118,291)	(334,126)
Proceeds from loan payable to City of Toronto	—	8,373,073
	(118,291)	8,038,947
Capital activities:		
Purchase of capital assets	(5,113,438)	(5,909,913)
Increase in cash	2,839,142	18,892,921
Cash, beginning of year	27,251,013	8,358,092
Cash, end of year	\$ 30,090,155	\$ 27,251,013

See accompanying notes to financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements

Year ended December 31, 2023

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 8(a)). In addition, the City maintains an Endangered Species Reserve Fund for the Board (note 8(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 8(c)).

The City also holds the Vehicle Reserve Fund for the purpose of funding vehicles required for operations at the Zoo. The Vehicle Reserve Fund is also recorded in the accounts of the City (note 8(d)).

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. On July 3, 2019, the Board entered into a contract with a third party to introduce the Lumina Project over a three-year period on a seasonal basis. The Project was extended for a 4th year on April 28, 2022 to allow for additional guest participation due to the closures related to Covid-19. The City approved a motion authorizing the Zoo to withdraw \$5,000,000 from the undesignated funds held in Toronto Foundation. This was recorded as revenue in the Lumina Fund in 2019. The Lumina Project agreement ended on June 2023. The remaining net assets from this project were transferred from Lumina fund to Operating 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 3(a)).

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, 2023

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 ran for a four-year period and expired on June 30, 2023.

(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, 2023

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 \$1,415,437 (2022 - \$1,418,888).

(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) 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.

(g) 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.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(h) 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 Ontario Municipal Employees Retirement System ("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;
- (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.

(i) 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.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

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 and loan payable to City of Toronto.

Transaction costs are capitalized and amortized on an effective interest rate basis over the useful life of the related financial instrument.

(j) 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.

(k) 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.

(l) Asset retirement obligations:

On January 1, 2023, the Board adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption. Based on management's assessment of their tangible capital assets, they are of the opinion that the impact was not material to these financial statements.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

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 \$14,664,992 in the current year (2022 - \$17,419,086). The Board incurred \$125,723 (2022 - \$271,912) 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.

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 \$7,987,215 (2022 - \$11,126,909) of capital improvements to the Zoo during the year. These capital facilities are not an asset of the Board and these amounts are not recorded in these financial statements. The City provided funding in advance for capital, which is not fully spent at year end and is included in accounts payable and accrued liabilities.

- (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 6), 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 \$1,249,680 (2022 - \$1,192,448). The amount payable to Toronto Hydro as at year-end was \$234,031 (2022 - \$111,509) 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 (2022 - \$496,000) for the vehicle 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, 2023

3. Related party transactions (continued):

- (e) On June 7, 2022, the Board entered into a loan agreement with the City for \$8,373,073 to fund an energy retrofit study, implement an energy retrofit project, and implement energy conservation measures at the Zoo. The loan is repayable with interest of 2.96% commencing on July 1, 2024 for a period of 14 years.

The fixed repayment, consisting of principal and interest, is as follows:

	Principal	Interest	Total
2024	\$ 491,375	\$ 247,843	\$ 739,218
2025	505,920	233,298	739,218
2026	520,895	218,323	739,218
2027	536,313	202,905	739,218
2028	552,188	187,030	739,218
Thereafter	5,766,382	886,579	6,652,961
	\$ 8,373,073	\$ 1,975,978	\$ 10,349,051

- (f) 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 \$200,151 (2022 - \$192,046) for payroll and administration services on behalf of the Conservancy. The Conservancy received contributions on behalf of, and transferred to, the Zoo in the amount of \$1,085,886 (2022 - \$136,902). There is an amount owing to the Zoo as at December 31, 2023 of \$2,463,413, in which \$1,641,182 relates to funding for City owned capital projects (note 3(a)) (2022 - \$327,777). 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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Capital assets:

The Zoo's capital assets consist of the following:

2023	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 1,895,639	\$ 1,046,769	\$ 848,870
Other equipment and animal structures	20,096,385	11,692,014	8,404,371
Furniture	589,489	424,285	165,204
	\$ 22,581,513	\$ 13,163,068	\$ 9,418,445

2022	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 1,004,343	\$ 479,133	\$ 525,210
Other equipment and animal structures	15,987,440	9,987,991	5,999,449
Furniture	476,292	394,589	81,703
	\$ 17,468,075	\$ 10,861,713	\$ 6,606,362

5. Deferred revenue:

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

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

	2023	2022
Balance, beginning of year	\$ 6,660,693	\$ 7,135,790
Amounts received	5,786,645	5,859,058
Amounts recognized	(6,134,162)	(6,334,155)
Balance, end of year	\$ 6,313,176	\$ 6,660,693

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

6. 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.

	2023	2022
Sick leave	\$ 1,262,147	\$ 1,247,752
Other retirement and post-employment benefits	11,016,061	10,151,965
Total accrued benefit obligations	12,278,208	11,399,717
Unamortized actuarial loss	863,057	1,623,257
	\$ 13,141,265	\$ 13,022,974

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:

	2023	2022
Balance, beginning of year	\$ 11,399,717	\$ 14,633,426
Current service costs	365,117	533,403
Interest cost	529,684	391,744
Benefits paid	(719,188)	(700,757)
Actuarial loss (gain)	702,878	(3,458,099)
Balance, end of year	\$ 12,278,208	\$ 11,399,717

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

	2023	2022
Current service costs	\$ 365,117	\$ 533,403
Interest cost	529,684	391,744
Amortization of net actuarial gain/loss	(57,322)	109,736
	\$ 837,479	\$ 1,034,883

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

6. 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:

	2023	2022
Sick leave	\$ 99,714	\$ 89,234
Other retirement and post-employment benefits	619,474	611,523
	<u>\$ 719,188</u>	<u>\$ 700,757</u>

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

	2023	2022
Total expenses	\$ 837,479	\$ 1,034,883
Benefits paid	(719,188)	(700,757)
	<u>\$ 118,291</u>	<u>\$ 334,126</u>

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

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Employee future benefits payable (continued):

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

	2023	2022
Discount rate for accrued benefit obligations:		
Sick leave	4.0%	4.3%
Other retirement and post-employment benefits	3.8 - 4.2%	4.1 - 4.7%
Discount rate for accrued benefit costs:		
Sick leave	4.0%	4.3%
Other retirement and post-employment benefits	3.8 - 4.2%	4.1 - 4.7%
Health-care inflation - hospital, dental care and other medical	3.0 - 5.0%	3.0 - 5.0%
Health-care inflation - drugs	6.0%	6.0%
Rate of compensation increase	3.0%	3.0%

The health-care inflation rate for medical and drugs is assumed to be reduced from 5.0% and 6.0%, respectively, by 2040.

Total employer contributions made to OMERS for the year ended December 31, 2023 amounted to \$2,343,537 (2022 - \$1,967,759). 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, 2023, OMERS has a deficit of \$4.2 billion (2022 - \$6.7 billion). The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2021. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2024.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Internally Restricted Fund:

Details of the Internally Restricted Fund are as follows:

	2023	2022
Invested in capital assets (a)	\$ 6,107,491	\$ 3,683,777
Ride & Revenue Development project (b)	75,137	72,156
	\$ 6,182,628	\$ 3,755,933

(a) The Zoo's invested in capital assets includes the net book value of capital assets of \$9,418,445 (2022 - \$6,606,362), less \$3,310,954 (2022 - \$2,922,585) of the loan from the City (note 3(e)) that was spent on the purchase of capital assets.

(b) The Board has internally restricted \$75,137 (2022 - \$72,156) for the Ride & Revenue Development project, consisting of insurance proceeds and interest earned thereon, from the monorail property damage claim for anticipated capital improvements.

8. City of Toronto reserve funds:

The City maintains a number of reserve funds on behalf of the Zoo, which are not recorded in these financial statements. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

(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, 2023 is \$1,147,341 (2022 - \$1,206,892).

(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, 2023 is \$613,115 (2022 - \$680,334).

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

8. City of Toronto reserve funds (continued):

(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, 2023 and 2022, there is no balance in the Zoo Stabilization Reserve Fund.

(d) Vehicle Reserve Fund:

The Vehicle Reserve Fund was established for the purpose of funding vehicles required for operations at the Zoo. The yearly contribution to this reserve fund is \$496,000. Unspent funds are carried forward to future years until they are spent. As of December 31, 2023, the balance in the Vehicle Reserve Fund is \$1,978,037 (2022 - \$1,334,078).

9. 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 2022 and 2023.

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

	2023	2022
Donor restricted funds	\$ 4,236,277	\$ 3,853,334
Internally restricted	4,216,608	3,708,864
Unrestricted	8,508,771	7,488,846
	<u>\$ 16,961,656</u>	<u>\$ 15,051,044</u>

For the years ended December 31, 2023 and 2022, no amounts were withdrawn from the donor restricted funds at Toronto Foundation.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Financial risk management:

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

(a) 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.

(b) 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:					
Trade	\$ 4,877,863	\$ –	\$ 3,131,441	\$ –	\$ 8,009,304
City of Toronto	21,615,483	–	–	–	21,615,483
Loan payable to City of Toronto	–	491,375	2,115,316	5,766,382	8,373,073
	\$ 26,493,346	\$ 491,375	\$ 5,246,757	\$ 5,766,382	\$ 37,997,860

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

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Financial risk management (continued):

(c) 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.

Trade 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 no amounts recorded as allowance for doubtful accounts for the years ended December 31, 2023 and 2022. As at December 31, 2023, the harmonized sales tax recoverability amount represents 66% (2022 - 80%) of the total trade accounts receivable balance.

As at December 31, 2023, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$ 3,583	\$ 82,773	\$ –	\$ 58,085

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

11. Commitments:

As at December 31, 2023, the Board was contractually committed, on behalf of the City, for \$53,685,041 (2022 - \$7,130,691) in capital expenditures. Payment of these commitments is expected in 2024, based on management's best estimate.

The Board also has commitments for its own purchase of materials and services in the amount of \$4,896,381 (2022 - \$5,284,750) that will be recorded as its capital assets or expenses when incurred.

BOARD OF MANAGEMENT OF THE TORONTO ZOO

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

12. 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.

13. Contractual rights:

The Board is party to various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future. As at December 31, 2023, the Board has a federal funding agreement that will provide \$413,158 of funding expected to be received in 2024.

14. Budgeted figures:

The budgeted figures presented in the statement of operations have been obtained from the 2023 budget approved by City Council.