

**FINANCIAL STATEMENTS OF
TORONTO ATMOSPHERIC
FUND FOUNDATION
YEAR ENDED DECEMBER 31, 2004**

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AUDITORS' REPORT
To the Board of Directors of
Toronto Atmospheric Fund Foundation
and the City of Toronto

We have audited the statement of financial position of the Toronto Atmospheric Fund Foundation as at December 31, 2004 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

In accordance with the Toronto Atmospheric Fund Act, we report further that the purposes for which revenue has been used and expenditures incurred are described in the statement of operations.

The comparative figures for 2003 were reported on by another auditor.

TORONTO, ONTARIO
MARCH 16, 2005


CHARTERED ACCOUNTANTS

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 436,496	\$ 260,634
Accounts receivables	169,693	132,602
Due from Toronto Atmospheric Fund (note 3)	<u>6,757</u>	<u>-</u>
	<u>\$ 612,946</u>	<u>\$ 393,236</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 59,083	\$ 34,029
Due to Toronto Atmospheric Fund (note 3)	<u>-</u>	<u>12,423</u>
	<u>59,083</u>	<u>46,452</u>
Deferred revenue (note 4)	<u>161,212</u>	<u>161,052</u>
	<u>220,295</u>	<u>207,504</u>
FUND BALANCES		
Restricted fund (note 2)	31,044	30,363
Operating fund	<u>361,607</u>	<u>155,369</u>
	<u>392,651</u>	<u>185,732</u>
	<u>\$ 612,946</u>	<u>\$ 393,236</u>

SIGNED ON BEHALF OF THE BOARD:



 Director

April 20/05

 Date



 Director

April 20/05

 Date

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

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
REVENUES		
Contributions:		
Toronto Atmospheric Fund	\$ 208,333	\$ 251,901
Government of Canada	330,550	224,930
Enbridge Gas Distribution	72,788	16,667
City of Toronto	59,000	-
Ontario Power Generation	-	54,000
Province of Ontario	15,000	39,000
Toronto Hydro	17,000	15,000
Suncor Energy Foundation	50,000	50,000
Municipalities	71,850	57,400
Interest	4,674	800
Sundry	<u>12,548</u>	<u>18,540</u>
	<u>841,743</u>	<u>728,238</u>
EXPENDITURES		
Salaries and employee benefits	432,076	391,177
Contract services	76,603	185,359
Marketing, promotion and events	46,918	55,762
Office and general	20,442	8,532
Printing	17,830	42,864
Office equipment and service	13,364	10,055
Travel	11,520	1,391
Audit services	4,269	6,068
Communications	6,742	6,950
Contributions repaid	-	9,183
Grants approved	-	2,161
Legal services	3,741	4,440
Bad debts	<u>2,000</u>	<u>-</u>
	<u>635,505</u>	<u>723,942</u>
NET REVENUE FOR YEAR	206,238	4,296
Fund balance, beginning of year	<u>155,369</u>	<u>151,073</u>
FUND BALANCE, END OF YEAR	<u>\$ 361,607</u>	<u>\$155,369</u>

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

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net operating revenue for year	\$ 206,238	\$ 4,296
Income from restricted fund	681	468
Items not involving cash – grants approved, net of rescinded	<u>-</u>	<u>2,161</u>
	206,919	6,925
Net change in non-cash working capital items:		
Accounts receivables	(37,091)	(76,585)
Accounts payable and accrued liabilities	25,053	(997)
Due from/to Toronto Atmospheric Fund	(19,180)	23,374
Grants paid	-	(5,524)
Grants recovered	<u>-</u>	<u>1,463</u>
Net cash flows from operating activities	<u>175,701</u>	<u>(51,344)</u>
FINANCING ACTIVITIES		
Excess of contributions received over that recognized	<u>161</u>	<u>151,552</u>
Net change in cash position for year	175,862	100,208
Cash position, beginning of year	<u>260,634</u>	<u>160,426</u>
CASH POSITION, END OF YEAR	<u>\$ 436,496</u>	<u>\$ 260,634</u>

Cash position is comprised entirely of balances held with a Canadian chartered bank.

TORONTO ATMOSPHERIC FUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. THE FOUNDATION

The Toronto Atmospheric Fund Foundation (the "Foundation") was incorporated under the laws of the Province of Ontario, by the Toronto Atmospheric Fund Act, 1992 (the "TAF Act"), on December 10, 1992 as a corporation without share capital. The objects of the Foundation include receiving, controlling and using contributions to promote global climate stabilization and public understanding of global warming and its implications.

In 1996, the Foundation was designated as a public foundation under the Income Tax Act and as such is exempt from income taxes provided certain disbursement quotas are met. The Foundation restricts its activities pursuant to its objects to those which are charitable in nature.

The City of Toronto has approved a change of name to Clean Air Partnership, changes in the Foundation's objects and substantive provisions of the TAF Act. A request to the Province of Ontario to amend the TAF Act to change the Foundation's corporate name, objects and other substantive provisions is being prepared for submission in the spring of 2005.

The Foundation currently operates under the name of the Clean Air Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

The significant accounting policies of the Foundation are summarized below:

Fund accounting

The Foundation follows the deferral method of accounting for contributions. For financial reporting purposes, the accounts have been classified into the following funds:

Restricted fund

The purpose of the restricted fund is to confer awards which recognize the achievements of citizens and community groups in promoting the aims of the Foundation. Investment income earned on resources of the restricted fund is recognized as income of this fund. During the year \$681 (2003 - \$468) of interest income was earned. Subsequent to year-end this fund was transferred to the Toronto Atmospheric Fund to manage.

Operating fund

The operating fund comprises the unrestricted resources of the Foundation. Contributions related to expenses of future periods or specific expenditures are deferred and recognized as the related expenditures are incurred. Unrestricted contributions are recognized when received. Investment income earned on assets held in the operating fund is recognized as earned.

TORONTO ATMOSPHERIC FUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets

Capital assets acquired during the year which are in excess of \$2,500 are capitalized and amortized over their expected useful lives.

Financial instruments

The carrying value of receivables, due from/to Toronto Atmospheric Fund, accounts payable, accrued liabilities and deferred revenues approximates fair value due to the relatively short-term maturity of these financial instruments

3. DUE FROM/TO TORONTO ATMOSPHERIC FUND

	<u>2004</u>	<u>2003</u>
Due from Toronto Atmospheric Fund	\$ 26,283	\$ 24,074
Due to Toronto Atmospheric Fund	<u>(19,526)</u>	<u>(36,497)</u>
	<u>\$ 6,757</u>	<u>\$(12,423)</u>

4. DEFERRED REVENUE

During the year, the Foundation received contributions for projects continuing into 2005. Recognition of the related portions of these contributions has been deferred until spent in accordance with their designated purpose.

5. CONTINGENT MATTERS

The Foundation may be liable for all or a portion of grant contributions received as they are subject to audit by the grantors. Any such liabilities are not currently anticipated or determinable and will be recorded if and when they become anticipated and determinable.

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the present year's method of financial statement presentation. Net revenue, as previously reported, has not been affected by this reclassification