

FINANCIAL STATEMENTS OF
TORONTO ATMOSPHERIC
FUND FOUNDATION
YEAR ENDED DECEMBER 31, 2003



SMITH, NIXON & CO. LLP
Chartered Accountants
320 Bay Street, Suite 1600
Toronto, Ontario
Canada M5H 4A6

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

We have audited the balance sheet of Toronto Atmospheric Fund Foundation as at December 31, 2003 and the statements of revenue and expenditures and changes in fund balances, 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted auditing standards.

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 revenue and expenditures and changes in fund balance.

TORONTO, February 16, 2004

CHARTERED ACCOUNTANTS

TORONTO ATMOSPHERIC FUND FOUNDATION
BALANCE SHEET AS AT DECEMBER 31, 2003

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits - at cost	\$ 260,634	\$ 160,426
Receivables	132,602	56,017
Due from Toronto Atmospheric Fund (Note 3)	<u>-</u>	<u>10,951</u>
	<u>\$ 393,236</u>	<u>\$ 227,394</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 34,029	\$ 35,026
Due to Toronto Atmospheric Fund (Note 3)	12,423	-
Grants payable	<u>-</u>	<u>1,900</u>
	<u>46,452</u>	<u>36,926</u>
DEFERRED REVENUE (Note 4)	<u>161,052</u>	<u>9,500</u>
	<u>207,504</u>	<u>46,426</u>
FUND BALANCES		
Restricted Fund (Note 5)	30,363	29,895
Operating Fund	<u>155,369</u>	<u>151,073</u>
	<u>185,732</u>	<u>180,968</u>
	<u>\$ 393,236</u>	<u>\$ 227,394</u>

SIGNED ON BEHALF OF THE BOARD

.....)
.....) DIRECTORS
.....)
.....)

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

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2003

	Restricted Fund	2003 Operating Fund	Total	2002
REVENUE				
Contributions -				
Toronto Atmospheric Fund	\$ -	\$ 251,901	\$ 251,901	\$ 333,810
Enbridge Consumers Gas	-	16,667	16,667	50,000
Government of Canada	-	224,930	224,930	98,692
Ontario Power Generation	-	54,000	54,000	-
Province of Ontario	-	39,000	39,000	17,000
Toronto Hydro	-	15,000	15,000	15,000
Suncor Energy Foundation	-	50,000	50,000	50,000
Municipalities	-	57,400	57,400	19,500
Toronto Community Foundation	-	-	-	12,500
Interest	468	800	1,268	464
Sundry	-	18,540	18,540	31,528
	<u>468</u>	<u>728,238</u>	<u>728,706</u>	<u>628,494</u>
EXPENDITURES				
Audit services	-	6,068	6,068	8,630
Communications	-	6,950	6,950	15,475
Contract services	-	185,359	185,359	86,447
Contributions repaid	-	9,183	9,183	-
Grants approved (rescinded)	-	2,161	2,161	9,080
Legal services	-	4,440	4,440	1,619
Marketing, promotion and events	-	55,762	55,762	55,924
Office and sundry	-	8,532	8,532	17,156
Office equipment and service	-	10,055	10,055	3,116
Printing	-	42,864	42,864	122,031
Salaries and employee benefits	-	391,177	391,177	259,766
Travel	-	1,391	1,391	2,139
Urban Heat Island Summit	-	-	-	21,696
	<u>-</u>	<u>723,942</u>	<u>723,942</u>	<u>603,079</u>
NET REVENUE FOR THE YEAR	468	4,296	4,764	25,415
BALANCES - BEGINNING OF YEAR	<u>29,895</u>	<u>151,073</u>	<u>180,968</u>	<u>155,553</u>
BALANCES - END OF YEAR	<u>\$ 30,363</u>	<u>\$ 155,369</u>	<u>\$ 185,732</u>	<u>\$ 180,968</u>

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

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

	2003	2002
OPERATING ACTIVITIES		
Net revenue for the year	\$ 4,764	\$ 25,415
Item not involving cash -		
Grants approved (rescinded)	<u>2,161</u>	<u>9,080</u>
	6,925	34,495
Net change in non-cash working capital -		
Receivables	(76,585)	97,557
Accounts payable and accrued liabilities	(997)	27,529
Due from/to Toronto Atmospheric Fund	23,374	(23,790)
Grants paid	(5,524)	(21,358)
Grants recovered	<u>1,463</u>	<u>3,600</u>
	(51,344)	118,033
FINANCING ACTIVITY		
Excess of contributions received over that recognized	<u>151,552</u>	<u>9,500</u>
NET CHANGE IN CASH* DURING THE YEAR	100,208	127,533
CASH - BEGINNING OF YEAR	<u>160,426</u>	<u>32,893</u>
CASH - END OF YEAR	<u>\$ 260,634</u>	<u>\$ 160,426</u>

* Cash is comprised of cash and short-term deposits.

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

TORONTO ATMOSPHERIC FUND FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

1. THE FOUNDATION

The Toronto Atmospheric Fund Foundation ("the Foundation") was incorporated on December 10, 1992 under the laws of the Province of Ontario and by the Toronto Atmospheric Fund Act, 1992 ("the TAF Act"), 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 Foundation became active in 1999.

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 2004.

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:

(a) 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 restricted fund comprises the resources that are to be used for specific purposes as set out by the donor. Investment income earned on resources of the restricted fund is recognized as income of this fund.

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 FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Grants

Grants are recorded as liabilities and expenditures upon approval of the project by the Board of Directors.

Payment of the first instalment of a grant is generally made upon execution of an agreement.

Subsequent payments of grant instalments are generally made after acceptance and approval of reports detailing the progress and results of work on the project and are subject to other conditions.

(c) Capital Assets

Effective January 1, 2003 the Foundation adopted Section 4430 of the CICA Handbook whereby not for profit organizations are required to record capital assets at cost and amortize them over their estimated useful lives. The Foundation reviewed the capital assets which it had acquired and expensed in the years 1999 through 2002 and determined that there would be no impact on the prior years figures since all the capital assets acquired during that time were individually less than the threshold of \$2,500 which the Foundation has established for purposes of capitalization. The capital assets acquired in 2003 also individually fell below this threshold and thus were expensed in the year. During 2003, the Foundation expensed \$5,653 (2002 - \$1,544) for office furniture and computer hardware and software.

(d) Financial Instruments

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

3. DUE FROM/TO TORONTO ATMOSPHERIC FUND

	2003	2002
Due from Toronto Atmospheric Fund	\$ 24,074	\$ 34,500
Due to Toronto Atmospheric Fund	<u>(36,497)</u>	<u>(23,549)</u>
	<u>\$ (12,423)</u>	<u>\$ 10,951</u>

The Toronto Atmospheric Fund ("TAF") is committed to supporting the Foundation by providing a portion of its funding during its startup period, with the objective of the Foundation achieving self-sufficiency from other funding sources.

In 2003, City Council adopted Clause 19 embodied in Report No. 9 of the Policy and Finance Committee. Recommendation 15(d) indicates that TAF provide ongoing annual contributions to the GTA Clean Air Council and the Smog Summit. In 2003, TAF's contributions, including indirect costs, to these projects were as follows:

Smog Summit	\$ 60,750
GTA Clean Air Council	<u>57,650</u>
	<u>\$ 118,400</u>

TORONTO ATMOSPHERIC FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

4. DEFERRED REVENUE

During the year, the Foundation received contributions for projects continuing into 2004. Recognition of the related portions of these contributions has been deferred until spent in accordance with their designated purpose.

	Deferred 2002	Billed or Received	Income	Deferred 2003
GTA Clean Air Council	\$ 9,500	\$ 83,500	\$ 57,400	\$ 35,600
Clean Air Online	-	42,569	30,450	12,119
20/20	-	15,000	-	15,000
Conference of Reducers	-	15,000	-	15,000
Clean Air Consumer Guide	-	100,000	50,000	50,000
2004 Smog Summit	-	50,000	16,667	33,333
	<u>\$ 9,500</u>	<u>\$ 306,069</u>	<u>\$ 154,517</u>	<u>\$ 161,052</u>

5. RESTRICTED FUND

During 2000, the Foundation received a contribution in the amount of \$28,373 from "The Dan Leckie Trust Fund, part of the portfolio of the Toronto Community Foundation" to establish the Dan Leckie Trust.

The purpose of this restricted fund is to carry out the charitable purposes of the Foundation, to promote healthy and green communities, cleaner air and reduced greenhouse gas emissions and the development and use of green technologies in memory of the significant contributions made by Dan Leckie as a City Councillor, community leader and environmental activist. The restricted fund will be used to confer annual awards which recognize the achievements of citizens and community groups in promoting these aims.

The family and associates of Dan Leckie (known as "Advisors") stipulated that the initial capital of the restricted fund and any additions thereto be held permanently by the Foundation and invested in accordance with the Foundation's investment policy. The Advisors may at any time after 10 years from initial contribution agree to terminate the restricted fund and add the capital to the operating fund. Each year the advisors will make recommendations to the Foundation with respect to awards to be made from "Annual Distributable Earnings" (*defined term*) of the restricted fund.

6. CONTINGENT LIABILITIES

The Foundation is contingently 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.