

**FINANCIAL STATEMENTS OF  
CLEAN AIR PARTNERSHIP  
YEAR ENDED DECEMBER 31, 2006**

	<b>Page</b>
<b>AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Statement of financial position</b>	<b>2</b>
<b>Statement of operations</b>	<b>3</b>
<b>Statement of cash flows</b>	<b>4</b>
<b>Notes to the financial statements</b>	<b>5 - 7</b>

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**INDEPENDENT AUDITORS' REPORT**

**To the Directors of Clean Air Partnership**

We have audited the accompanying financial statements of Clean Air Partnership, which comprise the statement of financial position as at December 31, 2006 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the reservation paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. We are also required to comply with applicable ethical requirements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation of the financial statements 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. Accordingly, the auditors express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

**Reservation**

In common with many charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, assets and net asset balances.

**Opinion**

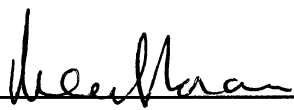
In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2006 and the results of its operations and change in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
**BROWNING, MILGRAM LLP**  
CHARTERED ACCOUNTANTS,  
LICENSED PUBLIC ACCOUNTANTS  
March 12, 2007

**CLEAN AIR PARTNERSHIP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2006**

	<u>2006</u> \$	<u>2005</u> \$
<b>ASSETS</b>		
Cash	267,493	334,693
Accounts receivables	181,040	400,756
Dan Leckie fund receivable	30,813	33,217
Due from Toronto Atmospheric Fund	14,337	9,684
Capital assets (note 4)	1,727	-
Deferred expenses (note 3)	<u>80,545</u>	<u>-</u>
	<u>575,955</u>	<u>778,350</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	88,205	160,891
Deferred revenue (note 3) (note 6)	<u>92,732</u>	<u>153,375</u>
	<u>180,937</u>	<u>314,266</u>
<b>FUND BALANCES</b>		
Restricted fund (note 2)	30,813	33,217
Operating fund (note 6)	<u>364,205</u>	<u>430,867</u>
	<u>395,018</u>	<u>464,084</u>
	<u>575,955</u>	<u>778,350</u>

SIGNED ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_  
 Director

2007-04-25  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Director

04/25/2007  
 \_\_\_\_\_  
 Date

**CLEAN AIR PARTNERSHIP**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>REVENUES</b>		
Contributions:		
Toronto Atmospheric Fund	292,785	270,000
Government of Canada	-	82,500
Natural Resources Canada	143,623	495,727
Environment Canada (note 6)	184,780	361,553
Province of Ontario	57,000	37,500
City of Toronto	7,500	62,000
Municipalities	86,833	68,042
Enbridge Gas Distribution	50,000	65,545
Toronto Community Foundation	16,013	33,755
Toronto Hydro	10,000	10,000
Other Corporate Sponsors	99,355	24,030
Other Grants and Contributions	<u>7,513</u>	<u>51,954</u>
Total Contributions	955,402	1,562,606
Interest	6,669	6,280
Sundry	<u>3,591</u>	<u>8,450</u>
	<u>965,662</u>	<u>1,577,336</u>
<b>EXPENDITURES</b>		
Salaries and employee benefits	614,377	589,489
Contract services	284,256	576,822
Marketing, promotion and events	93,345	115,003
Printing	27,841	91,054
Office and general	28,533	32,098
Office equipment and service	23,248	29,466
Travel	19,748	26,048
Communications	9,942	20,063
Projects	-	9,779
Audit services	4,820	4,978
Program audit	1,545	-
Legal services	2,850	4,776
Amortization	864	-
Other	1,500	8,500
Deferred expenses (note 3)	<u>(80,545)</u>	<u>-</u>
	<u>1,032,324</u>	<u>1,508,076</u>
<b>NET REVENUE (EXPENSE) FOR YEAR (note 6)</b>	(66,662)	69,260
<b>Fund balance, beginning of year</b>	<u>430,867</u>	<u>361,607</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>364,205</u>	<u>430,867</u>

**CLEAN AIR PARTNERSHIP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net operating revenue for year	(66,662)	69,260
Items not involving cash:		
Deferred expenditures	(80,545)	-
Amortization	864	-
Expenditures from restricted fund	(4,844)	-
Income from restricted fund	<u>2,440</u>	<u>2,173</u>
	(148,747)	71,433
Net change in non-cash working capital items:		
Accounts receivables	219,716	(231,063)
Accounts payable and accrued liabilities	(72,686)	101,808
Due from/to Toronto Atmospheric Fund	<u>(4,652)</u>	<u>(2,927)</u>
Net cash flows from operating activities	<u>(6,369)</u>	<u>(60,749)</u>
<b>FINANCING ACTIVITIES</b>		
Excess of contributions received over that recognized	(60,643)	(7,837)
Purchases of fixed assets	(2,591)	-
Dan Leckie fund	<u>2,404</u>	<u>(33,217)</u>
Net cash flows from investing activities	<u>67,199</u>	<u>(41,054)</u>
Net change in cash position for year	(73,568)	(101,803)
Cash position, beginning of year	<u>334,693</u>	<u>436,496</u>
<b>CASH POSITION, END OF YEAR</b>	<u>267,494</u>	<u>334,693</u>

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

**CLEAN AIR PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. THE CLEAN AIR PARTNERSHIP**

CAP was incorporated under the laws of the Province of Ontario, by the Toronto Atmospheric Fund Act, 1992 as a corporation without share capital. Its objects include receiving, controlling and using contributions to promote global climate stabilization and public understanding of global warming and its implications.

In 1996, the corporation 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 corporation restricts its activities pursuant to its objects to those which are charitable in nature.

Under The Toronto Atmospheric Fund Act, 2005 the corporation changed its name from The Toronto Atmospheric Fund Foundation to the Clean Air Partnership ("CAP"). In addition, CAP's objects were expanded to cover air quality issues and changes were made to other substantive provisions, including bringing CAP's investments under the 'prudent investor provisions' of the Trustee Act.

**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 CAP are summarized below:

**(a) Fund accounting**

CAP 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 CAP. Investment income earned on resources of the restricted fund is recognized as income of this fund. During the year \$ 2,440 (2005 - \$2,173) of interest income was earned. At the beginning of 2005 the assets of the fund (being cash) were transferred to the Toronto Atmospheric Fund to manage and invest on behalf of CAP. During 2006 expenditures withdrawn from the fund for the Dan Leckie forum held on May 29, 2006 amounted to \$4,844 (2005 - nil).

**Operating fund**

The operating fund comprises the unrestricted resources of CAP. Unrestricted contributions are recognized when received. Investment income earned on assets held in the operating fund is recognized as earned.

**CLEAN AIR PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(b) Financial instruments**

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

**(c) Revenue and Expense recognition**

Contributions related to expenses of future periods or specific expenditures are deferred and recognized as the related expenditures are incurred. Expenditures related to funding of future periods are deferred and recognized as the related funding is invoiced.

**(d) Capital assets**

Capital assets acquired during the year which are in excess of \$2,500 are capitalized and amortized over their expected useful lives. Computers and related hardware are amortized over three years on a straight line basis.

**3. DEFERRED REVENUE AND EXPENDITURES**

Contributions received for projects continuing into the following year are deferred until spent in accordance with their designated purpose. Expenditures relating to project funding for the following year are deferred until the funding is recognized.

**4. CAPITAL ASSETS**

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	<u>\$ 2,591</u>	<u>\$ 864</u>	<u>\$ 1,727</u>	<u>\$ -</u>

**5. CONTINGENT MATTERS**

CAP 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.

**CLEAN AIR PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**6. COMPARATIVE FIGURES**

Some contributions received in 2005 for projects continuing into the 2006 year, amounting to \$39,000, were not deferred correctly at December 31, 2005. The financial statements of 2005 have been restated to correct this error. The effect of the restatement on those financial statements is summarized below. There is no effect in 2006.

	<u>Effect on 2005</u>
(Decrease) in revenues from contributions	<u>(39,000)</u>
(Decrease) in net revenue	<u>(39,000)</u>
Increase in deferred revenue	39,000
(Decrease) in operating fund	<u>(39,000)</u>
Increase in equity	<u>          =</u>