

**FINANCIAL STATEMENTS OF
TORONTO ATMOSPHERIC
FUND FOUNDATION
YEAR ENDED DECEMBER 31, 2002**

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, 2002 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, 2002 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.

A handwritten signature in black ink that reads "Dornith Nixon & Co. LLP". The signature is written in a cursive, flowing style.

TORONTO, February 14, 2003

CHARTERED ACCOUNTANTS

TORONTO ATMOSPHERIC FUND FOUNDATION
BALANCE SHEET AS AT DECEMBER 31, 2002

| | 2002 | 2001 |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash and short-term deposits - at cost | \$ 160,426 | \$ 32,893 |
| Receivables | 56,017 | 153,574 |
| Due from Toronto Atmospheric Fund (Note 3) | <u>10,951</u> | <u>-</u> |
| | <u>\$ 227,394</u> | <u>\$ 186,467</u> |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 35,026 | \$ 7,497 |
| Due to Toronto Atmospheric Fund (Note 3) | - | 12,839 |
| Grants payable | 1,900 | 10,578 |
| Deferred revenue (Note 4) | <u>9,500</u> | <u>-</u> |
| | <u>46,426</u> | <u>30,914</u> |
| FUND BALANCES | | |
| Restricted Fund (Note 5) | 29,895 | 29,563 |
| Operating Fund | <u>151,073</u> | <u>125,990</u> |
| | <u>180,968</u> | <u>155,553</u> |
| | <u>\$ 227,394</u> | <u>\$ 186,467</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, 2002

| | Restricted Fund | 2002 Operating Fund | Total | 2001 |
|---|----------------------------|------------------------------------|-------------------|-------------------|
| REVENUE | | | | |
| Contributions | | | | |
| Toronto Atmospheric Fund | \$ - | \$ 333,810 | \$ 333,810 | \$ 173,500 |
| Ontario Power Generation | - | - | - | 54,000 |
| Enbridge Consumers Gas | - | 50,000 | 50,000 | 50,000 |
| Government of Canada | - | 98,692 | 98,692 | 49,400 |
| Toronto Community Foundation | - | 12,500 | 12,500 | 25,000 |
| Province of Ontario | - | 17,000 | 17,000 | 15,000 |
| Toronto Hydro | - | 15,000 | 15,000 | 15,000 |
| Suncor Energy Foundation | - | 50,000 | 50,000 | - |
| Other | - | 19,500 | 19,500 | - |
| Interest | 332 | 132 | 464 | 1,220 |
| Sundry | - | 31,528 | 31,528 | 1,981 |
| | <u>332</u> | <u>628,162</u> | <u>628,494</u> | <u>385,101</u> |
| EXPENDITURES | | | | |
| Audit services | - | 8,630 | 8,630 | 6,080 |
| Communications | - | 15,475 | 15,475 | - |
| Contract services | - | 86,447 | 86,447 | 76,604 |
| Grants approved (rescinded) | - | 9,080 | 9,080 | 71,783 |
| Legal services | - | 1,619 | 1,619 | 5,383 |
| Marketing, promotion and events | - | 55,924 | 55,924 | 26,741 |
| Office and sundry | - | 17,156 | 17,156 | 19,952 |
| Office equipment and service | - | 3,116 | 3,116 | 7,911 |
| Printing | - | 122,031 | 122,031 | 5,355 |
| Salaries and employee benefits | - | 259,766 | 259,766 | 69,321 |
| Travel | - | 2,139 | 2,139 | 5,392 |
| Urban Heat Island Summit | - | 21,696 | 21,696 | - |
| | <u>-</u> | <u>603,079</u> | <u>603,079</u> | <u>294,522</u> |
| NET REVENUE FOR THE YEAR | 332 | 25,083 | 25,415 | 90,579 |
| FUND BALANCE - BEGINNING OF YEAR | <u>29,563</u> | <u>125,990</u> | <u>155,553</u> | <u>64,974</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 29,895</u> | <u>\$ 151,073</u> | <u>\$ 180,968</u> | <u>\$ 155,553</u> |

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

TORONTO ATMOSPHERIC FUND FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002

| | 2002 | 2001 |
|--|-------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net revenue for the year | \$ 25,415 | \$ 90,579 |
| Item not involving cash | | |
| Grants approved (rescinded) | <u>9,080</u> | <u>71,783</u> |
| | 34,495 | 162,362 |
| Net change in non-cash working capital | | |
| Receivables | 97,557 | (153,574) |
| Accounts payable and accrued liabilities | 27,529 | 1,255 |
| Due from/to Toronto Atmospheric Fund | (23,790) | 12,839 |
| Grants paid | (21,358) | (66,205) |
| Grants recovered | 3,600 | - |
| Contributions received in advance | <u>9,500</u> | <u>-</u> |
| NET CHANGE IN CASH* DURING THE YEAR | 127,533 | (43,323) |
| CASH - BEGINNING OF YEAR | <u>32,893</u> | <u>76,216</u> |
| CASH - END OF YEAR | <u>\$ 160,426</u> | <u>\$ 32,893</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, 2002

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 objectives 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 will restrict its activities pursuant to its objectives 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, change in the Foundation's objects and investment powers, and other provisions of the TAF Act. A request to the Province of Ontario to amend the investment powers under the TAF Act has received First Reading in the Ontario Legislature.

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, 2002

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

Capital assets are expensed in the year of acquisition. During 2002, the Foundation expensed \$1,544 (2001 - \$7,911) for office furniture and computer hardware and software.

(d) Financial Instruments

The carrying value of cash and short-term deposits, 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

| | 2002 | 2001 |
|-----------------------------------|------------------|--------------------|
| Due from Toronto Atmospheric Fund | \$ 34,500 | \$ 1,685 |
| Due to Toronto Atmospheric Fund | <u>(23,549)</u> | <u>(14,524)</u> |
| | <u>\$ 10,951</u> | <u>\$ (12,839)</u> |

The Toronto Atmospheric Fund 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.

4. DEFERRED REVENUE

During the year, the Foundation received grants from neighbouring municipalities in support of the Clean Air Council for 2003. Recognition of these grants has been deferred until spent in accordance with the designated purpose.

TORONTO ATMOSPHERIC FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

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 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. PLEDGES

During 2001, the Foundation received pledges of \$262,500 from various organizations, to be applied against the costs of several Foundation projects during the years 2002 to 2004. During 2002, \$112,500 of these pledges were received, leaving \$150,000 receivable. Unrestricted pledges will be recognized as revenue during the year they are received or become receivable and restricted pledges will be recognized as revenue when the related expenditures are incurred.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Net revenue previously reported has not been affected by this reclassification.

TORONTO ATMOSPHERIC FUND FOUNDATION
OPERATING FUND STATEMENT OF REVENUE AND EXPENDITURE BY PROJECT
YEAR ENDED DECEMBER 31, 2002

| | General | Cool Schools | Cool Toronto | Smog Summit | GTA Clean Air Council | Clean Air Consumers Guide | Total |
|--|-----------------|-------------------------|-------------------------|------------------------|----------------------------------|--|------------------|
| REVENUE | | | | | | | |
| Toronto Atmospheric Fund | \$ 122,500 | \$ 18,810 | \$ 57,500 | \$ 30,000 | \$ 47,500 | \$ 57,500 | \$ 333,810 |
| Enbridge Consumers Guide | - | - | - | 50,000 | - | - | 50,000 |
| Government of Canada | - | - | 15,000 | 25,000 | 31,500 | 27,192 | 98,692 |
| Toronto Community Foundation | 12,500 | - | - | - | - | - | 12,500 |
| Province of Ontario | - | - | 2,000 | 15,000 | - | - | 17,000 |
| Toronto Hydro | - | - | - | 15,000 | - | - | 15,000 |
| Suncor Energy Foundation | - | - | - | - | - | 50,000 | 50,000 |
| Other | - | - | 1,000 | - | 6,000 | 12,500 | 19,500 |
| Interest income | 132 | - | - | - | - | - | 132 |
| Sundry revenue | 410 | - | 10,318 | - | - | 20,800 | 31,528 |
| | <u>135,542</u> | <u>18,810</u> | <u>85,818</u> | <u>135,000</u> | <u>85,000</u> | <u>167,992</u> | <u>628,162</u> |
| EXPENDITURES | | | | | | | |
| Audit services | 8,630 | - | - | - | - | - | 8,630 |
| Communications | 331 | - | - | 15,144 | - | - | 15,475 |
| Contract services | 15,972 | - | 6,540 | 14,751 | 14,836 | 34,348 | 86,447 |
| Grants approved (rescinded) | - | 9,080 | - | - | - | - | 9,080 |
| Legal services | 1,619 | - | - | - | - | - | 1,619 |
| Marketing, promotions and events | 12,289 | 499 | 3,359 | 23,588 | 5,199 | 10,990 | 55,924 |
| Office and sundry | 14,459 | 268 | 1,263 | 155 | 294 | 717 | 17,156 |
| Office equipment and service | 3,116 | - | - | - | - | - | 3,116 |
| Printing | 9,331 | 96 | 1,390 | 19,062 | 3,634 | 88,518 | 122,031 |
| Salaries and employees benefits | 68,288 | 9,415 | 50,990 | 59,572 | 47,490 | 24,011 | 259,766 |
| Travel | 170 | 524 | 38 | 796 | 611 | - | 2,139 |
| Urban Heat Island Summit | - | - | 21,696 | - | - | - | 21,696 |
| | <u>134,205</u> | <u>19,882</u> | <u>85,276</u> | <u>133,068</u> | <u>72,064</u> | <u>158,584</u> | <u>603,079</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>\$ 1,337</u> | <u>\$ (1,072)</u> | <u>\$ 542</u> | <u>\$ 1,932</u> | <u>\$ 12,936</u> | <u>\$ 9,408</u> | <u>\$ 25,083</u> |

Summarized from management's records.

UNAUDITED