TA6.2
Attachment 2

CONSOLIDATED FINANCIAL STATEMENTS

For

TORONTO ATMOSPHERIC FUND

For the year ended

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors for the

TORONTO ATMOSPHERIC FUND AND THE CITY OF TORONTO

Opinion

We have audited the consolidated financial statements of the Toronto Atmospheric Fund (the Organization), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations - City of Toronto fund, remeasurement gains and losses - City of Toronto fund, the consolidated statements of operations - Province of Ontario fund, remeasurement gains and losses - Province of Ontario fund, changes in fund balances and cash flows for the year the ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 and the results of its operations , remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

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 Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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 consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
TO BE DETERMINED.

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 1,352,398	$ 83,283
Accounts receivable	3,588,759	413,626
External funding receivable	2,016	432,164
Loans receivable - current portion (note 5)	123,723	121,445
Prepaid expenses	33,267	59,673
	5,100,163	1,110,191
CAPITAL ASSETS (note 4)	5,631,654	6,078,963
LOANS RECEIVABLE (note 5)	2,442,938	704,168
INVESTMENTS HELD IN TRUST BY THE CITY OF TORONTO (note 6)	45,157,702	43,350,073
INVESTMENTS IN PRIVATE FUNDS (note 7)	832,171	682,693
	$ 59,164,628	$ 51,926,088
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Line of credit (note 12)	$ 680,000	$ 10,000
Accounts payable and accrued liabilities	2,995,593	691,309
Grants payable (note 9)	583,051	1,120,528
Current portion of long-term debt (note 13)	422,603	376,435
Deferred revenue (note 10)	79,917	147,440
Funds held in trust Dan Leckie Fund (note 11)	37,922	35,945
	4,799,086	2,381,657
LONG-TERM DEBT (note 13)	2,194,818	2,573,943
	6,993,904	4,955,600
FUND BALANCES		
City of Toronto fund - externally restricted	25,769,498	25,301,446
Province of Ontario fund - externally restricted	15,996,611	16,084,032
Stabilization funds - internally restricted (note 14)	10,404,615	5,585,010
	52,170,724	46,970,488
	$ 59,164,628	$ 51,926,088

Commitments (note 18)

Approved by the Board:

. . . . Director

. . . . Director

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2019

	Internally restricted		Externally restricted			
	Stabilization Fund Toronto (note 14)	Stabilization Fund Ontario (note 14)	City of Toronto Fund	Province of Ontario Fund	Total 2019	Total 2018
Fund balances, beginning of year	$ 5,585,010	$ -	$ 25,301,446	$ 16,084,032	$ 46,970,488	$ 48,683,990
Excess of expenses over revenue	-	-	(820,678)	(695,327)	(1,516,005)	(2,473,583)
Net remeasurement gains	-	-	4,293,553	2,422,688	6,716,241	760,081
Stabilization transfer	3,004,823	1,814,782	(3,004,823)	(1,814,782)	-	-
Fund balances, end of year	$ 8,589,833	$ 1,814,782	$ 25,769,498	$ 15,996,611	$ 52,170,724	$ 46,970,488

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES - CITY OF TORONTO FUND

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Accumulated remeasurement gains, beginning of year	$ 10,698,744	$ 10,312,779
Increase (decrease) in unrealized gains attributed to:		
Foreign exchange	(1,441,368)	750,580
Equity instruments	5,734,921	(364,615)
Net remeasurement gains	4,293,553	385,965
Accumulated remeasurement gains, end of year	$ 14,992,297	$ 10,698,744

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF OPERATIONS - CITY OF TORONTO FUND

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenue		
Investment income, net of fees	$ 308,732	$ 250,970
Interest income from loans receivable	87,208	139,549
External funding (note 10)	51,342	374,366
Energy Savings Performance Agreement revenues (note 8)	1,114,831	824,165
Sundry	117,222	19,876
	1,679,335	1,608,926
Expenses		
Program delivery	1,080,349	1,155,875
Grants approved, net (note 9)	481,969	356,786
Salaries and employee benefits	1,206,004	898,519
Salaries allocated to program delivery (note 15)	(980,878)	(783,049)
Corporate expenses (note 16)	240,782	252,630
Amortization	471,787	725,465
	2,500,013	2,606,226
Excess of expenses over revenue	$ (820,678)	$ (997,300)

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES - PROVINCE OF ONTARIO FUND

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Accumulated remeasurement gains, beginning of year	$ 1,137,478	$ 763,362
Increase (decrease) in unrealized gains attributed to:		
Foreign exchange	(905,860)	512,308
Equity instruments	3,328,548	(138,192)
Net remeasurement gains	2,422,688	374,116
Accumulated remeasurement gains, end of year	$ 3,560,166	$ 1,137,478

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF OPERATIONS - PROVINCE OF ONTARIO FUND

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenue		
Investment income (loss), net of fees	$ 215,234	$ (132,876)
External funding (note 10)	53,613	154,836
	268,847	21,960
Expenses		
Program delivery	522,723	478,880
Grants approved, net (note 9)	176,184	619,557
Salaries and employee benefits	443,180	556,915
Salaries allocated to program delivery (note 15)	(317,226)	(299,877)
Corporate expenses (note 16)	139,313	142,768
	964,174	1,498,243
Excess of expenses over revenue	$ (695,327)	$ (1,476,283)

(See accompanying notes)

TORONTO ATMOSPHERIC FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of expenses over revenue:		
City of Toronto fund	$ (820,678)	$ (997,300)
Province of Ontario fund	(695,327)	(1,476,283)
	(1,516,005)	(2,473,583)
Adjustments for:		
Recovery on credit losses	-	(70,000)
Amortization	471,787	725,465
Provision on ESPA assets	-	190,000
Provision on investment impairment	-	61,993
	(1,044,218)	(1,566,125)
Increase (decrease) resulting from changes in:		
Accounts receivable	(3,175,133)	(10,258)
External funding receivable	430,148	496,305
Prepaid expenses	26,406	(55,836)
Accounts payable and accrued liabilities	2,304,284	(432,451)
Grants payable	(537,477)	156,632
Deferred revenue	(67,523)	(423,722)
	(2,063,513)	(1,835,455)
INVESTING ACTIVITIES		
Withdrawals of investments	8,697,936	5,924,748
Purchase of investments	(3,938,801)	(4,536,838)
Income attributed to Dan Leckie fund	1,977	-
Repayments from loans receivable	118,714	160,724
Loan receivable advanced	(1,859,763)	-
	3,020,063	1,548,634
CAPITAL ACTIVITIES		
Investment in capital assets	(24,478)	(530,838)
FINANCING ACTIVITIES		
Advances from line of credit	670,000	10,000
Advances from long-term debt	-	420,563
Repayments of long-term debt	(332,957)	(351,302)
	337,043	79,261
INCREASE (DECREASE) IN CASH	1,269,115	(738,398)
CASH AT BEGINNING OF YEAR	83,283	821,681
CASH AT END OF YEAR	$ 1,352,398	$ 83,283

(See accompanying notes)

1. NATURE OF OPERATIONS

The Toronto Atmospheric Fund ("TAF") 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. TAF is currently governed by the TAF Act, 2005, which amended the objectives, investment powers and other provisions of the original TAF Act. TAF is an arms-length agency of the City of Toronto (the "City") operating as a not-for-profit organization which is exempt from income tax pursuant to the Income Tax Act (Canada).

The City appoints TAF's Board of Directors while the TAF Relationship Framework, approved by the City Council in 2013, establishes specific accountability requirements to the City.

The original endowment from the City was $23 Million. Under a tripartite agreement between TAF, the City and the Province of Ontario (the "Province"), TAF received an additional $17 million endowment from the Province in November 2016 which expanded TAF's geographical scope to the Greater Toronto and Hamilton Area ("GTHA").

TAF is financed by investment revenues from its two funds including income from marketable securities and direct investments as well as by external grants and contributions. TAF does not draw on the City's or the Province's operating budgets.

TAF's aim is to innovate, demonstrate, de-risk and advance social, financial, policy and technological opportunities that position the City to achieve reductions in air pollution and greenhouse gas emissions, and to position the GTHA to achieve significant reductions in greenhouse gas emissions.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations as issued by the Public Sector Accounting Board.

(b) Basis of presentation

These consolidated financial statements include the accounts of both original funds provided by the City and the Province. Each of the funds are accounted for separately, using fund accounting as the basis of presentation. A proportionality ratio based on the audited net asset value of each fund is established annually in order to allocate proceeds of the funds proportionately, where applicable. External funding is received and used proportionately. These consolidated financial statements also include TAF's wholly-owned subsidiary, CAIT Ventures Inc. ("CVI"). The financial statements of this subsidiary are summarized in note 19.

(c) Revenue recognition

TAF follows the restricted fund method of accounting for contributions. Contributions 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 not expended for which there is not a specified fund are deferred and recognized as revenue in the year in which the related expenses are recognized.

Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the consolidated statement of financial position.

Other revenues are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

(d) Volunteers

Volunteers contribute their time and expertise during the year to assist TAF in delivering on its mandate. Due to the difficulty in determining their fair market value, contributed services are not recognized in the consolidated financial statements.

(e) Financial assets and liabilities

Initial measurement

TAF recognizes a financial asset or a financial liability on the consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at fair value

Subsequent measurement

At each reporting date, TAF measures its financial assets and liabilities at amortized cost, except for investments, which are measured at fair value for marketable securities and cost for private equity investments, including any impairment in the case of financial assets.

TAF determines whether there is any objective evidence of impairment of the financial assets subsequently measured at amortized cost. Any financial asset impairment is recognized in the consolidated statement of operations.

(f) Investment income

Investment income consists of interest, dividends and realized gains (losses) on disposition of investments. Investment income is recorded net of portfolio management fees and related fees. Changes in unrealized gains or losses are recorded in the consolidated statements of remeasurement gains and losses.

(g) Foreign currency translation

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Financial instruments included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(h) Loans receivable

Loans receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations as a reduction of investment income from direct investments. Interest is accrued on loans receivable and is recognized in the statement of operations as investment income from direct investments.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

(i) Grants

All grants must receive a funding recommendation by TAF's Grants and Programs Committee and subsequently be approved by the Board of Directors. Approved one-time payment grants are reported as current liabilities and expenditures in the year. Approved grants which are in effect across several years are only recorded as current liabilities and expenditures in the year they become payable.

Payment of the first installment of a grant for a project meeting the objectives of TAF is made after approval of the Board of Directors and on execution of an agreement. Subsequent payments of grant installments are generally made after acceptance and approval of reports from grantees detailing results of work on the project and are subject to various conditions.

Grants can be rescinded by TAF when the original granting conditions have not been met, or cannot be met, or when the applicant/recipient no longer needs the grant. The rescinded amounts are recognized in the year the grant is rescinded.

(j) Capital assets

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Energy efficiency equipment which is located on client premises is amortized using the straight line method over eight and half to ten years with half year rates applying in the year of acquisition. Office improvements is amortized using the straight line method over five years with half year rates applying in the year of acquisition.

(k) Deferred expenses

Expenditures related to programs to be completed in future fiscal years are deferred and recognized in proportion to progress made. Legal expenses related to financing negotiations which are payable by the borrower are deferred and expensed in future fiscal years when reimbursement is received by TAF.

3. FINANCIAL INSTRUMENTS

The investment activities undertaken by TAF expose it to a variety of financial risks described below:

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its cash flow obligations as they come due. TAF mitigates this risk by maintaining a committed credit facility and monitoring cash activities and expected outflows through budgeting and maintaining liquid investments that may be converted to cash on short notice if unexpected cash outflows arise.

Credit risk

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due. TAF's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable, loans receivable and external funding receivable. TAF's cash is deposited with a Canadian Chartered bank and as a result, management believes the risk of loss of this item to be remote. Accounts receivable and external funding receivable balances are managed and analyzed on an ongoing basis and accordingly, management believes all amounts receivable will be collected and has determined that a provision for bad debts is not required. Credit risk on loans receivable is mitigated through a financial approval process, the use of general security agreements and pledges of assets, and insurance.

3. FINANCIAL INSTRUMENTS - Cont'd.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors and is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk relates to financial assets and liabilities denominated in foreign currency and converting these to Canadian currency at different points in time when adverse or beneficial changes in foreign exchange rates can occur. Cash and investments are translated into Canadian dollars at the prevailing exchange rate. At December 31, 2019, the cash and investments held denominated in US dollars were, \$70 and \$28,731,478, respectively (2018 - \$30,112 and \$23,033,116).

ii) *Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value of financial instruments due to changes in market interest rates. TAF is exposed to this risk through its investments in marketable securities and direct loans.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future associated cash flows will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

TAF is exposed to other price risk due to its investments in a variety of equities. Risk and volatility of investment returns are mitigated through diversification of investments. To minimize market risks, TAF's investment policy operates within the constraints established by the City. This policy's application is monitored by management, a third party investment advisor, TAF's Board appointed Investment Committee and the Board of Directors.

Changes in risk

There have been no significant changes in the organization's risk exposures or policies, procedures and methods used to measure the above risks, from the prior year.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
ESPA capital assets (note 8)	\$ 7,747,652	\$ 2,114,713	\$ 7,730,871	\$ 1,695,636
Office improvements	267,395	78,680	259,698	25,970
	8,015,047	\$ 2,193,393	7,990,569	\$ 1,721,606
Accumulated amortization	2,193,393		1,721,606	
	5,821,654		6,268,963	
Less provisions related to ESPAs	(190,000)		(190,000)	
	\$ 5,631,654		\$ 6,078,963	

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	2019	2018
(a) Cathedral Hill (Windmill Developments), OCLCC No. 973	$ 500,863	$ 567,162
(b) Old Sheppard, YCC No. 132	213,871	237,830
(c) Toronto Solar Neighbourhoods Initiative	12,165	40,621
(d) London RNG Project 1 LP	869,425	-
(e) Montcalm Capital Fund I LP	990,338	-
	2,586,662	845,613
Less current portion	(123,723)	(121,445)
	2,462,939	724,168
(f) Allowance for credit losses	(20,000)	(20,000)
	$ 2,442,939	$ 704,168

Loans receivable (a), (b), (c) pertain to the City of Toronto fund and loans receivable (d) and (e) pertains proportionately to the City and Province Fund as per note 2(b). The loans receivable earn interest in the range between 7% to 13%.

(a) *Ottawa Carleton Leasehold Condominium Corporation ("OCLCC") No. 973*

In 2015, TAF advanced $750,000 as a "Green Condo Loan" to Cathedral Hill (Windmill Developments) in care of OCLCC No. 973 for a highly energy-efficient condominium project called Cathedral Hill in Ottawa. This loan is repayable in blended monthly installments of $9,048 maturing September 2025.

(b) *York Condominium Corporation ("YCC") No. 132*

In 2012, TAF advanced $355,000 for the installation of energy efficiency measures in the YCC No. 132 (Old Sheppard) condominium building. This "Green Condo Loan" is repayable in blended monthly installments of $3,321, maturing September 2026.

(c) *Toronto Solar Neighbourhood Initiative*

Between 2009 and 2011, TAF provided loans to homeowners participating in the Toronto Solar Neighbourhoods Initiative. The loans are backed by unsecured promissory notes from the homeowners who have full repayment privileges at any time. As of the year-end, there were 29 (2018 - 38) loans receivable under this program, with the last loan scheduled to mature in April 2021.

(d) London RNG Project 1 LP

London RNG Project 1 LP is for the construction and operation of a facility to extract renewable natural gas from industrial waste biogas to inject into the bulk natural gas supply pipeline and sell through a long-term offtake agreement. As at December 31, 2019, $869,425 has been advanced, and it is repayable in blended quarterly installments over 10.5 years, with the first repayment to begin after the facility starts operations.

(e) Montcalm Capital Fund I LP

Montcalm Capital Fund I LP - CLEARAS 2018 Series P.S. is focused on a low-carbon wastewater treatment technology that uses algae to remove nitrogen and phosphorous. As at December 31, 2019, $990,338 has been advanced. Interest is payable annually, and entire principal is repayable when the loan matures in October 2025.

(f) Allowance for credit losses

Management makes an assessment of the collectability of each loan receivable at year end and establishes an allowance for potential credit losses. Any write-offs, net of recoveries, will be deducted from this allowance.

6. INVESTMENTS HELD IN TRUST BY THE CITY OF TORONTO

In accordance with the TAF Act, monies that are not immediately required are in the custody of the Treasurer of the City of Toronto ("City Treasurer"). Marketable securities investments consist of pooled funds managed by investment managers selected by TAF and engaged by the City Treasurer. These monies are invested in securities authorized under Sections 27 to 31 of the Trustee Act and income thus earned accrues to TAF.

TAF's investment policy states that the investment limits as percentages of TAF's net asset value are as follows: direct investments up to 60%, publicly-traded equities up to 55%, private equities up to 5%, and a minimum of 20% in fixed income. As at December 31, 2019, the Board was notified that two of the investment categories were not in compliance with the investment limits and directed management to re-balance as soon as practicable.

TAF's equity instruments are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2019 and 2018, all marketable securities are classified as Level 1.

	2019 Toronto	2019 Ontario	2019 Total	2018 Total
TD Emerald Canadian Bond Pooled Fund Trust	$ 1,172,979	$ 1,420,869	$ 2,593,848	$ 1,125,355
TD Short Term Bond Fund, O-Series	1,166,126	1,444,047	2,610,173	1,375,302
TD Emerald Canadian Short Term Investment Fund	2,388,443	2,919,432	5,307,875	13,011,287
Greenchip Global Equity Fund	3,102,350	1,863,025	4,965,375	3,699,852
Generation IM Global Equity A Shares A32	17,081,691	9,875,500	26,957,191	21,917,975
NEI Environmental Leaders Fund	848,145	507,013	1,355,158	1,105,161
Dimensional Global Sustainability Core Equity Fund	861,662	506,420	1,368,082	1,115,141
Total investments in marketable securities	$ 26,621,396	$ 18,536,306	$ 45,157,702	$ 43,350,073

7. INVESTMENTS IN PRIVATE FUNDS

Investment in private funds are valued at cost as market value is not readily determinable. Investment in private funds are comprised of:

	2019 Toronto	2019 Ontario	2019 Total	2018 Total
InvestEco Private Equity Fund III, LP	$ 215,670	$ 8,160	$ 223,830	$ 199,830
ICC Sustainable Food Fund	202,136	-	202,136	202,136
Greensoil Building Innovation Fund	259,850	146,355	406,205	280,727
Total investments in private funds	$ 677,656	$ 154,515	$ 832,171	$ 682,693

TAF's Board of Directors approved participation of up to $500,000 USD in the Greensoil Building Innovation Fund. As at December 31, 2019, $345,569 USD ($406,205 CAD) had been advanced to date. During the year, no impairment loss was recorded for this fund (2018 - an impairment loss of $61,993).

8. ENERGY SAVINGS PERFORMANCE AGREEMENTS

In 2012, TAF began marketing a financing program based on its proprietary Energy Savings Performance Agreement ("ESPA"), which enables building owners to retrofit and upgrade their buildings' energy performance. The ESPA is a multi-year performance contract between TAF and a building owner where TAF provides a turnkey energy efficiency retrofit for the owner who undertakes to re-pay TAF from realized energy cost savings. The installation process is managed by pre-qualified engineering firms who perform investment grade energy audits and use proven energy-saving technologies to achieve significant savings in both energy consumption and cash flow for building owners to make energy retrofits economically feasible.

Under an ESPA, the building owner remits to TAF a significant portion (typically 90%) of their actual energy savings based on an investment grade energy audit performed before installation. The energy savings are remitted monthly to TAF for up to 10 years until TAF recovers its capital plus a financial return. The equipment installed in the building under an ESPA is the property of TAF and is part of TAF's capital assets. At the end of the agreement, ownership of the equipment is transferred to the building owner.

Efficiency Capital (EC) Inc. ("EC Inc.") is the exclusive licensee of TAF's ESPA program and can finance projects under TAF's warehouse financing facility ("Warehouse Facility"). Under the Warehouse Facility, TAF enters into ESPAs with building owner clients which EC Inc. will administer for a fee.

Under the agreement with EC Inc., TAF has the right to purchase a limited number of shares of EC Inc. at a discount at a future date upon the completion of certain milestone events. As at December 31, 2019, such events have not yet occurred, and the value of the rights has not been included in these consolidated financial statements.

TAF's financial risk related to ESPA retrofit projects is mitigated by: (1) review of project economics and building owner's creditworthiness with TAF's Investment Committee; (2) project-specific insurance policy to ensure that TAF will receive the projected energy savings; (3) TAF's right to increase a building's energy savings remittances up to 100% of actual savings; (4) regular equipment maintenance combined with measurement and verification of building systems' operating performance for the duration of the ESPA.

As at December 31, 2019 and 2018, all ESPA pertains to the City of Toronto Fund.

As at December 31, 2019, there were 9 (2018 - 9) active ESPA projects. The total depreciated value of the ESPA capital assets, net of rebates and incentives amounts to $5,632,939 (2018 - $6,035,235). The ESPAs have a term ranging from 8.5 to 10 years.

The cash flow from 4 active ESPA projects are pledged as security for third party loans as discussed in note 13. The total revenue from those active ESPA projects amounted to $177,452 (2018 - $184,785).

9. GRANTS APPROVED AND PAYABLE

Grants are funded from the City of Toronto and/or Province of Ontario funds based on the project and proponent's characteristics. Grants approved by TAF's Board of Directors and paid during the year are as follows:

	2019	2018
Balance, beginning of year	$ 1,120,528	$ 963,896
Grants approved during the year	802,267	1,090,143
Grants rescinded during the year	(162,800)	(113,800)
Grants paid during the year	(1,176,944)	(819,711)
Closing balance	$ 583,051	$ 1,120,528

10. DEFERRED REVENUE

External revenues received by TAF related to project expenditures in the future are deferred and recognized as revenue in the year the expenditures are incurred.

	2019	2018
External funding brought forward from prior year	$ 647,440	$ 1,071,162
External funding received during the year	(462,568)	105,480
Total external funding committed to TAF	184,872	1,176,642
External funding recognized - City of Toronto fund	51,342	374,366
External funding recognized - Province of Ontario fund	53,613	154,836
	104,955	529,202
External funding carried forward into subsequent year	$ 79,917	$ 647,440

11. DAN LECKIE FUND

The Clean Air Partnership ("CAP") has engaged TAF as its agent to invest this Fund for CAP's account. The purpose of the Dan Leckie Fund, which was originally funded at $28,373, is to support emission reduction opportunities in Toronto undertaken by TAF. TAF attributes investment income, based on the long-term average rate of return as budgeted by TAF for its portfolio, to be recognized as income of the Fund. The changes in the fund were as follows:

	2019	2018
Opening balance and original fund principal	$ 35,945	$ 35,945
Income attributed from TAF	1,977	-
Closing balance	$ 37,922	$ 35,945

12. CREDIT FACILITY

TAF has a revolving line of credit with a Canadian chartered bank repayable on demand with interest rate calculated at the bank's prime rate plus 0.50% per annum. The credit limit is the lesser of $3.07 million or the standard margin value of TAF's fixed income investment portfolio. Security has been provided using TAF's fixed income investment portfolio. The line of credit balance drawn as of December 31, 2019 was $680,000 (2018 - $10,000).

13. LONG-TERM DEBT

In 2013, TAF was approved for a loan from Federation of Canadian Municipalities ("FCM"), via the City, for the purpose of financing eligible costs of green energy retrofits to social housing buildings owned by the Toronto Community Housing Corporation. The loan is to be repaid over a period of nine years, with principal repayments commencing in 2018.

For those third party loans secured by cash flows from an ESPA project, TAF's total liability is limited to the lesser of the principle or the secured cash flow of the related ESPA. Any default of the secured ESPA by the building owner would result in a revaluation of the future cash outflows of the loan. These third party loans bears interest at 4% to 6%.

	2019	2018
FCM loan - 1.75% interest, due May 20, 2026, repayable in blended semi-annual installments of $154,111, secured by the investment portfolio	$ 2,023,418	$ 2,292,700
Third party loan A - due February 2, 2026, repayable in blended quarterly installments of $7,906, secured by a portion of the future cash flows from an ESPA project	159,978	181,153
Third party loan B - due November 1, 2020, repayable in blended quarterly installments of $11,859, secured by a portion of the future cash flows from an ESPA project	81,735	81,735
Third party loan C - due March 2, 2026, repayable in blended quarterly installments of $9,436, secured by a portion of the future cash flows from an ESPA project	207,726	236,410
Third party loan D - due February 1, 2028, repayable in blended quarterly installments of $2,689, secured by a portion of the future cash flows from an ESPA project	72,282	79,190
Third party loan E - due February 1, 2028, repayable in blended quarterly installments of $2,689, secured by a portion of the future cash flows from an ESPA project	72,282	79,190
	2,617,421	2,950,378
Less current portion	422,603	376,435
	$ 2,194,818	$ 2,573,943

Principal repayments over the next five years and thereafter are as follows:

2020	$ 422,603
2021	349,034
2022	357,453
2023	366,142
2024 and thereafter	1,122,189
	$ 2,617,421

14. STABILIZATION FUND

In keeping with best practice for endowments, the Stabilization Fund was established in 2003 to enable TAF to reduce variability in its program spending due to fluctuating financial markets which directly impact TAF's investment income.

Any investment income from marketable securities which exceeds the long-term average rate of return assumed in the annual budget is added to the Stabilization Fund. Similarly, when such investment income falls below the budgeted amount, the shortfall may be withdrawn from the Stabilization Fund. TAF caps its Stabilization Fund to a maximum of 25% of its net asset value.

The Toronto and Ontario funds' marketable securities portfolio yielded returns above projections, resulting in an addition of $3,004,823 to the Toronto Stabilization Fund (2018 - a reduction of $526,362), and an addition of $1,814,782 to the the Ontario Stabilization Fund (2018 - $nil).

15. SALARY ALLOCATION TO PROGRAM DELIVERY

TAF's practice is to allocate the program-related costs of its staff to the program delivery expenditure line. The percent of core staff costs allocated to the program delivery expenditure line was 70% (2018 - 70%).

16. CORPORATE EXPENSES

Corporate expenses include activities related to communications, governance, organizational development and administration. TAF shares its premises and certain office services with CAP, and the related costs are allocated between TAF and CAP based on utilization. CAP is a registered charity which was also created by the TAF Act.

17. TAF BUDGET FISCAL YEAR 2019

TAF is a self-sustaining endowment fund, and it does not draw on the tax base of the City or the Province. Financial reports against the budget are provided to the Board of Directors quarterly. TAF's annual budget is as follows:

	2019 (in $ Thousands)	2018 (in $ Thousands)
Revenue		
Investment portfolio revenues*	$ 2,421	$ 2,190
Loan interest and transaction fees	679	525
External funding	500	500
Allocation from TAF's capital - if required	1,065	1,183
Total revenue	$ 4,665	$ 4,398
Program delivery expenditures		
Strategic programs	$ 1,922	$ 2,067
New and committed grants	1,200	900
Total programs and projects	3,122	2,967
Administration	1,543	1,431
Total expenditures	$ 4,665	$ 4,398

* Based on mark-to-market valuation assumption.

18. COMMITMENTS AND CONTINGENCIES

EC Inc. is an exclusive licensee of TAF's ESPA program for the purpose of scaling up TAF's financing method for energy retrofit projects in buildings. TAF has two financing commitments for the purpose of assisting EC Inc.'s capital mobilization. Both financing commitments are revolving and thus can be repaid anytime if EC Inc. can refinance using external capital:

- up to $2 million from TAF's secured subordinated debt facility which finances ESPAs signed between EC Inc. and building owner clients;
- up to $7 million from the Warehouse Facility which finances ESPAs signed between TAF and building owner clients which EC Inc. is committed to buy from TAF within two years.

19. CAIT VENTURES INC.

CAIT Ventures Inc. ("CVI") is a wholly-owned subsidiary of TAF which is currently inactive. CVI's financial status is as follows:

	2019	2018
Assets		
Cash	$ 6,111	$ 24,080
Liabilities		
Due to TAF	$ 298,649	$ 316,602
Equity		
Capital	1	1
Deficit	(292,538)	(292,523)
	$ 6,111	$ 24,080

	2019	2018
Expenses		
Bank charges	$ 15	$ 67
Net loss	$ (15)	$ (67)

20. SUBSEQUENT EVENT

In mid-March 2020, subsequent to the TAF's year-end, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease. A degree of uncertainty persists surrounding the full economic impact of the situation. Consequently, at the time of issuance of these financial statements, the effect that the decline in economic activity on the TAF's operations, assets, liabilities, fund balances, revenues and expenses are not yet known. Management has undertaken reasonable and appropriate steps related to employee health and safety and continuing business operations and is also working with the Investment Committee to closely assess and manage the impacts to TAF's investment portfolio.

21. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.