

**FINANCIAL STATEMENTS OF  
TORONTO ATMOSPHERIC FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**AUDITORS' REPORT**  
**Toronto Atmospheric Fund and**  
**The City of Toronto**

We have audited the balance sheet of the Toronto Atmospheric Fund as at December 31, 1999 and the statements of income and fund equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 the Board of Directors, 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 Fund as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

In accordance with the Toronto Atmospheric Fund Act, we report further that the purposes for which income has been used and expenses incurred are described in the statement of income and fund equity of the Fund.

(signed)  
Smith, Nixon & Co. LLP

**TORONTO, March 21, 2000**

**CHARTERED ACCOUNTANTS**

**TORONTO ATMOSPHERIC FUND  
BALANCE SHEET  
AS AT DECEMBER 31, 1999**

**ASSETS**

|  | <b>1998</b>          | <b>1999</b>          |
|--|----------------------|----------------------|
| Cash   | \$ 30,693            | \$ 28,366            |
| Loans Receivable ( Note 3 )                          |                      |                      |
| Urban Environment Centre                             | 80,000               | 80,000               |
| Auto Share - Car Sharing Network Inc.                | 17,384               | 20,000               |
| The City of Toronto                                  | 294,229              | 294,229              |
| Sundry receivables                                   | 18,363               | 32,766               |
| Funds on deposit with the City of Toronto ( Note 4 ) | 19,029,499           | 17,287,167           |
| Debenture ( Note 5 )                                 | <u>5,952,275</u>     | <u>7,619,634</u>     |
|  | <u>\$ 25,422,443</u> | <u>\$ 25,362,162</u> |

**LIABILITIES AND FUND EQUITY**

|  |                      |                      |
|--|----------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 31,431            | \$ 115,685           |
| Grants payable                           | 152,032              | 199,701              |
| Funds held in trust ( Note 6 )           | <u>50,000</u>        | <u>50,000</u>        |
|  | 233,463              | 365,386              |
| Commitments and contingencies ( Note 7 ) |                      |                      |
| Fund equity                              | <u>25,188,980</u>    | <u>24,996,776</u>    |
|  | <u>\$ 25,422,443</u> | <u>\$ 25,362,162</u> |

Approved on behalf of the Board:

) Director

) Director

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

**TORONTO ATMOSPHERIC FUND  
STATEMENT OF INCOME AND FUND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 1999**

|  | <b>1999</b>          | <b>1998</b>          |
|--|----------------------|----------------------|
| <b>REVENUE</b>   |                      |                      |
| Interest Income ( Notes 2 and 4 )  | \$ 829,808           | \$ 788,898           |
| Sundry revenue   | <u>173</u>           | <u>5,270</u>         |
|  | <u>829,981</u>       | <u>794,168</u>       |
| <b>EXPENDITURES</b>  |                      |                      |
| Administration charges   | 8,640                | 31,561               |
| Advertising  | 6,698                | -                    |
| Audit  | 6,980                | 4,786                |
| Communication  | -                    | 12,244               |
| Consultants  | 17,831               | 144,654              |
| Grants   | 466,473              | 596,745              |
| Deep Lake Water Cooling Project  | -                    | 7,577                |
| Insurance  | 4,600                | 4,600                |
| Legal  | 14,944               | 32,733               |
| Office and sundry  | 13,424               | 8,862                |
| Printing   | 2,418                | 537                  |
| Promotion  | -                    | 750                  |
| Salaries and employee benefits   | <u>95,769</u>        | <u>54,244</u>        |
|  | <u>637,777</u>       | <u>899,293</u>       |
| <b>EXCESS OF REVENUE OVER EXPENDITURES<br/>(EXPENDITURES OVER REVENUE)</b> | 192,204              | (105,125)            |
| <b>FUND EQUITY - BEGINNING OF YEAR</b>                                     | <u>24,996,776</u>    | <u>25,101,901</u>    |
| <b>FUND EQUITY - END OF YEAR</b>   | <u>\$ 25,188,980</u> | <u>\$ 24,996,776</u> |

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

**TORONTO ATMOSPHERIC FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

|  | <b>1999</b>      | <b>1998</b>      |
|--|------------------|------------------|
| <b>Cash provided by (used in):</b>                                 |                  |                  |
| <b>Operating activities</b>  |                  |                  |
| Excess of revenue over expenditures<br>(expenditures over revenue) | \$ 192,204       | \$ (105,125)     |
| Addback non-cash item  |                  |                  |
| Grants approved in the year  | 466,473          | 596,735          |
| Net change in non-cash working capital                             |                  |                  |
| Sundry receivables   | 14,403           | (9,016)          |
| Loans receivable   | 2,616            | (394,229)        |
| Accounts payable and accrued liabilities                           | (84,254)         | 9,841            |
| Funds held in trust  | -                | 50,000           |
| Grants paid in the year  | (514,142)        | (937,126)        |
| Payment received in advance  | -                | (122,579)        |
|  | <u>77,300</u>    | <u>(911,499)</u> |
| <b>Investing activities</b>  |                  |                  |
| Debenture  | 1,667,359        | 1,530,363        |
| Funds on deposit with the City of Toronto                          | (1,742,332)      | (595,236)        |
|  | <u>(74,973)</u>  | <u>935,127</u>   |
| <b>Net change in cash during the year</b>                          | 2,327            | 23,628           |
| <b>Cash at beginning of year</b>                                   | <u>28,366</u>    | <u>4,738</u>     |
| <b>Cash at end of year</b>   | <u>\$ 30,693</u> | <u>\$ 28,366</u> |

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

**TORONTO ATMOSPHERIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**1. THE FUND**

The Toronto Atmospheric Fund (TAF) was incorporated under the laws of the Province of Ontario, by the Toronto Atmospheric Fund Act, 1992 (the Act), on December 10, 1992 as a Corporation without share capital. The objectives of TAF include promotion of global climate stabilization and promotion of public understanding of global warming and its implications. TAF functions as a not for profit organization.

The City of Toronto (the City) appoints the Board of Directors of TAF and, under amendments made in 1996 to the Municipal Act, has additional powers over the activities of TAF.

TAF held its inaugural meeting of its Board of Directors on March 10, 1993 and commenced active operations on that date.

The Act provided for a maximum contribution to TAF by the City of \$23 million, which contribution has been made.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial statements in accordance with 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 TAF are summarized below:

**(a) Grants:**

Grants are included in liabilities and expenditure on approval of the project by the Board of Directors.

Payment of the first instalment of a grant for a project meeting the objectives of TAF is generally made after approval of the Board of Directors and on execution of an agreement.

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

**(b) Interest income:**

Interest income is recorded when earned.

**TORONTO ATMOSPHERIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**3. LOANS RECEIVABLE**

In 1998, TAF approved and advanced a loan in the amount of \$80,000 to Urban Environment Centre (UEC), for the purpose of enabling GreenSaver to carry out its Business Plan. UEC pays TAF interest at the rate of 9% per annum, payable on the first of each month until the loan is fully paid on December 31, 2000. Further, TAF has guaranteed a \$30,000 loan payable by GreenSaver to Metro Credit Union.

In 1998, TAF approved and advanced a loan in the amount of \$20,000 to Auto Share - Car Sharing Network Inc., to assist with the start-up and initial expansion funding for the Implementation and Expansion Plan. The loan is to be repaid in 72 consecutive monthly instalments of \$330.78, at an interest rate of 6% per annum, and is to be fully paid by January 21, 2004.

In 1998, TAF approved and advanced an interim loan in the amount of \$294,229 to the City for the purpose of retrofitting and replacing all of the existing windows on the second floor of Toronto City Hall with new high performance energy-efficient windows. The terms of the repayment are to be negotiated and settled by the City and TAF.

**4. FUNDS ON DEPOSIT**

In accordance with the Act, monies that are not immediately required are given to the treasurer of the City for custody. These monies are invested in securities authorized under the Trustee Act and income earned accrues to TAF.

**5. DEBENTURE**

The debenture is from the former Municipality of Metropolitan Toronto for a maximum term of eight years to December 1, 2002, bears interest at 8.76% and is repayable in blended monthly payments of \$188,186.

The debenture allowed the former Municipality of Metropolitan Toronto to advance a similar amount under the same terms and conditions to the City. Following a request from the City, TAF agreed to waive the 1999 interest of \$590,878 on the debenture, effected by crediting the amount of \$590,878 to the City. In 1996, 1997 and 1998, TAF waived the interests of \$969,021, \$853,613 and \$727,874, respectively. The City will resume interest payments in 2000.

**TORONTO ATMOSPHERIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**6. FUNDS HELD IN TRUST**

TAF and the City's Healthy City Office (HCO) entered into an agreement in 1997 regarding the initial seed money of \$50,000 for the Clean Air Action Fund, which supports the City's ongoing anti-smog initiatives. TAF holds the funds in trust and makes disbursements, at the request of the HCO and the Anti-Smog Working Group. As at December 31, 1999, TAF held \$50,000 on behalf of the HCO, and no disbursements have been made.

**7. COMMITMENTS AND CONTINGENCIES**

TAF has established a policy that the value of fund equity be maintained at \$23 million in 1992 dollars and that an amount be provided in the annual operating budget, if necessary, to adjust fund equity for the increase in the Consumer Price Index (CPI) from December 10, 1992. In 1999, TAF approved a new investment policy that would yield better performance and eliminate the 'inflation adjuster' policy. Under the TAF Act, TAF is restricted to making investments listed in Sections 26 and 27 of the former Trustee Act. TAF has been authorized by the Council of the City to make application to the Province of Ontario for amending legislation to allow it to utilize the new 'prudent investor' standard.

TAF entered into an agreement with the Co-operative Housing Federation of Toronto Inc. (CHFT), to make available security of up to \$3,000,000 for the purpose of creating a loan facility to members of CHFT for energy savings and CO2 emission reductions projects. Under the agreement, TAF's obligation will be conditional upon entering into a satisfactory agreement with a Lender and obtaining any necessary TAF Board and City Council approvals. As at December 31, 1999, the agreement with the lender has not been finalized, and no advance has been made.

TAF entered into an agreement with the Consumers Gas Company Limited and the City to provide a security facility to a maximum amount of \$2,000,000, to jointly establish an Energy and Water Efficiency Loan Recourse Fund. The purpose of the Recourse Fund is to provide loans to institutional, commercial, industrial and multi-residential sector building owners under an expanded Consumers Gas Merchandise Finance Plan, to finance energy and water retrofit and other building improvement measures. By agreement with the other parties, TAF has not advanced any of the \$2,000,000, but instead has given a direction to the City, which holds TAF funds, to advance funds as may be required in the event of a default. No such advance has been made.

TAF approved a line of credit of \$810,000 to the Toronto Renewable Energy Co-operative for the purpose of purchasing a 660-kilowatt wind turbine that will be owned and paid for by members of the resulting co-operative. As at December 31, 1999, the agreement had not been finalized, and no funds have been advanced.

Any defaults on the agreement, security facility and line of credit noted above will become expenditures of TAF.

**TORONTO ATMOSPHERIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**8. TORONTO ATMOSPHERIC FUND FOUNDATION**

The Act provided also for the incorporation of the Toronto Atmospheric Fund Foundation (Foundation).

The Board of Directors of the Foundation is appointed by TAF.

The Foundation was registered with Revenue Canada as a “public foundation” under the Income Tax Act (Canada), effective May 31, 1996.

The Foundation became active in 1999. The resources of the Foundation are as follows:

|                                       |                 |
|---------------------------------------|-----------------|
| As at December 31, 1999               |                 |
| Total assets                          | \$44,172        |
| Total liabilities                     | <u>2,269</u>    |
| Net assets                            | <u>\$41,903</u> |
| For the year ending December 31, 1999 |                 |
| Revenue *                             | \$69,682        |
| Expenditures                          | <u>27,779</u>   |
| Excess of revenue over expenditures   | <u>\$41,903</u> |

\* Includes grants from TAF in the amount of \$57,000.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year’s presentation. Excess of expenditures over revenue previously reported has not been affected by this reclassification.

**10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to suppliers or other third parties have been fully resolved.