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Attachment 2

REPORT TO THE BOARD OF DIRECTORS

OF

TORONTO ATMOSPHERIC FUND

For the year ended December 31, 2015

Prepared by:
Bryan Haralovich, CPA, CA, CPA (Illinois)
Partner
Welch LLP

AUDIT STATUS

Our audit of the financial statements of Toronto Atmospheric Fund for the year ended December 31, 2015 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- Receipt of audited Generation fund statements for the year ended December 31, 2015
- Receipt of Generation investment confirmation as at December 31, 2015
- Receipt of bank confirmation as at December 31, 2015
- Board approval of the draft financial statements
- Final subsequent review up to date of approval of the financial statements
- Board approval of the stabilization fund transfer

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2015 fiscal year.

MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The CEO has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditors' report.

MISSTATEMENTS

The corrected and uncorrected misstatements identified during our audit are included in Appendix B and Appendix C.

Canadian generally accepted auditing standards require that we request that management and the Board correct all the misstatements that we present to them. The uncorrected misstatement is comprised of ESPA provisions made for credit losses and warranty costs which have been applied against the ESPA assets capitalized. Due to the fact that there is no indication of impairment, no condition or situation has occurred which warrants recognition of the the credit losses. The same rationale is applicable to the warranty provision in that condition or situation has not occurred which has resulted in a liability and as such the warranty cost provision should not be recognized. Management has decided not to adjust the financial statements for this amount as they would like to review our comments and address the matter in 2016.

If you disagree with management, and would like management to make the proposed adjustment(s), we request that you inform management and us accordingly.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Board.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The organization's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the year we encountered the following situations that required significant judgements and/or estimates to be made by management:

a. ESPA Provisions

The estimates made relate to the provisions for credit losses and warranty costs. We have addressed these matters above in the misstatement section of the report.

b. Provision for Loan Loss

Estimates were made to accrue for potential uncollectible amounts from outstanding loans. The current year loan loss provision has been recorded in the financial statements for \$30,000; a total of \$90,000 has been recorded to date.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

TORONTO ATMOSPHERIC FUND

75 Elizabeth Street
Toronto, Ontario
M5G 1P4

Date to be determined

Welch LLP
123 Slater Street
3rd Floor
Ottawa, ON
K1P 5H2

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Toronto Atmospheric Fund for the year ended December 31, 2015, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 25, 2013, for the preparation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. All transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Accounts Receivable

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months.
2. Accounts receivable do not include any amount with respect to goods on consignment to others.
3. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.
4. Adequate allowance has been made for any losses from uncollectible accounts, costs or expenses that may be incurred with respect to sales made or services rendered prior to the year-end, including allowance for quantity discounts and expenses under service or repair contracts.
5. No abnormal returns have been received since the year-end or are expected to be received, in respect of merchandise shipped prior to the close of business on that date.
6. Notes and accounts receivable represent valid claims relating to transactions made before the end of the fiscal year and do not include any amount relating to goods shipped on consignment. Adequate provision has been made for losses which may be sustained in the collection of receivables.

Capital Assets

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the organization.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
4. The organization has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the balance sheet.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute) other than what is already disclosed in the financial statements.
3. The organization has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
5. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the organization's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The organization complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.
2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the financial statements.

Corporate Minutes

The minute books of the organization contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Controlled and Related Entities

1. All subsidiaries and controlled not-for-profit organizations have been accurately reflected in the financial statements.
2. All enterprises and not for profit organizations where the organization has joint control, exerts significant influence or has an economic interest have been appropriately reflected in the financial statements.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards for government not-for-profit organizations.
2. There have been no exchanges of goods or services with any related parties for which appropriate accounting recognition and financial statement disclosure has not been given.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Going Concern

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
6. In the course of your audit of our financial statements for the year ended December 31, 2015, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our organization.

Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian public sector accounting standards for government not-for-profit organizations require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

TORONTO ATMOSPHERIC FUND

Per _____

Toronto Atmospheric Fund

Period ending: December 31, 2015

Summary of unadjusted errors

Rev. 2016-03

Materiality (Sch. 400):

Preliminary overall materiality is \$90,000; Final overall materiality is \$90,000.

All misstatements over \$1,440 are to be recorded on this summary. Misstatements below this threshold are considered trivial. The tax rate used in this schedule is nil%.

Description of Possible Misstatement	WP Ref.	INCOME STATEMENT Overstated or (Understated)			BALANCE SHEET Overstated or (Understated)			F/S Disclosures	Corrected?
		Identified Mis-statement	Likely Aggregate Mis-statement	Likely Aggregate Mis-statement After Tax	Assets	Liabilities	Closing Equity		
Account 1692 ESPA Provisions - warranty	<u>K</u>		(31,717)	(31,717)	31,717		(31,717)		No
Account 1694 ESPA Provisions - credit	<u>K</u>		(31,717)	(31,717)	31,717		(31,717)		No
Total			(63,434)	(63,434)	(63,434)		(63,434)		
Effect of Unadjusted Errors From Prior Years									
Aggregate Likely Misstatements			(63,434)	(63,434)	(63,434)		(63,434)		
Further Possible Misstatements									
Maximum Possible Misstatements			(63,434)	(63,434)	(63,434)		(63,434)		
Corrected Misstatements									
Uncorrected Misstatements			(63,434)	(63,434)	(63,434)		(63,434)		
Materiality			90,000	90,000	90,000	90,000	90,000	90,000	
Margin Remaining For Further Possible Misstatements			26,566	26,566	26,566	90,000	26,566	90,000	

Prepared by	Reviewed by	Reviewed by	Reviewed by
AS 3/31/2016	VL 4/11/2016	BH 4/17/2016	

Document is up to date

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Toronto Atmospheric Fund

Year End: December 31, 2015

Adjustments

Rev. 10/10/01

Date: 1/1/2015 To 12/31/2015

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
2	12/31/2015	TD Bank USD FX to CDN	1008	A2		27,727.35			
2	12/31/2015	Investment Revenue-FX gain/loss-realized & UN	4185	A2			27,727.35		
To adjust for USD bank FX									
3	12/31/2015	Accrued Receivables	1081	C4			2,432.80		
3	12/31/2015	Exhibition Place loan	4315	C4		2,432.80			
To record accrued A/R collected in the year									
5	12/31/2015	Accrued Liabilities	2105	BB2			16,267.00		
5	12/31/2015	Payroll costs accrued at YE	5160	BB2		16,267.00			
To adjust salary.									
9	12/31/2015	CVI bank account	1035				60.00		
9	12/31/2015	Amounts Receivable	1061				104,176.00		
9	12/31/2015	Current portion of loans A/R	1101				186,606.00		
9	12/31/2015	Loans:1296 Current portion of loans	1296			186,606.00			
9	12/31/2015	External funding receivable	1299			511,000.00			
9	12/31/2015	External funding receivable	1299			89,815.79			
9	12/31/2015	Capital Assets:1680 EE Equip - Other Propert	1683			94,161.00			
9	12/31/2015	Accum Amort EE Equip	1688				3,046.00		
9	12/31/2015	Grants Payable-subldg+ageing	2020				86,188.00		
9	12/31/2015	Accrued Liabilities	2105				10,800.00		
9	12/31/2015	Unearned-Rev-NRcan-Towerwise	2309				511,000.00		
9	12/31/2015	Unearned-Rev-NRcan-Towerwise	2309			24,333.00			
9	12/31/2015	Unearned-Rev-NRcan-Towerwise	2309				129,890.00		
9	12/31/2015	NEW-External Funds-Corporate	4480			104,176.00			
9	12/31/2015	NEW-External Funds-Municipal Govt	4495				2,500.00		
9	12/31/2015	Rev- deferred to next Yr	4700				89,815.79		
9	12/31/2015	Rev- deferred to next Yr	4700				24,333.00		
9	12/31/2015	Rev- deferred to next Yr	4700			129,890.00			
9	12/31/2015	Miscellaneous Income	4975			2,500.00			
9	12/31/2015	Energy Monitoring Equipment	5213			33,235.00			
9	12/31/2015	Eq-to-be-Capitalized	5214				94,161.00		
9	12/31/2015	Eq-to-be-Capitalized	5214				33,235.00		
9	12/31/2015	Banking Fees - operations	5382			60.00			
9	12/31/2015	Audit-Accounting-Advisory-Serv	5530			10,800.00			
9	12/31/2015	Depreciation-Amortization Exps	5830			3,046.00			
9	12/31/2015	Grant Rescissions	8102			86,188.00			
Post adjusting entries from Client post year-end close.									
10	12/31/2015	Capital Assets:1680 EE Equip - Other Propert	1683	PL			33,235.33		
10	12/31/2015	Eq-to-be-Capitalized	5214	PL		33,235.33			
To adjust client yearend entry to agree to supporting schedule									
12	12/31/2015	Accrued Liabilities	2105	BB2-1		7,200.00			
12	12/31/2015	Audit-Accounting-Advisory-Serv	5530	BB2-1			7,200.00		
To reverse 2014F audit accrual									
13	12/31/2015	Grants Payable-subldg+ageing	2020	FF1		86,188.00			
13	12/31/2015	Grant Rescissions	8102	FF1			86,188.00		
To reverse client's recognition of Part 2 of City of Toronto Enviro&Energy Grant Feb 2-15 , due in 2016F									
14	12/31/2015	Unearned-Rev-NRcan-Towerwise	2309	HH1		89,815.79			
14	12/31/2015	NEW-External Funds-Corporate	4480	HH1			89,815.79		

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AS 4/6/2016			

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WELCH LLP

Toronto Atmospheric Fund

Year End: December 31, 2015

Adjustments

Rev. 10/10/01

Date: 1/1/2015 To 12/31/2015

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
To recognize ECC revenue related to Tim Stoate									
15	12/31/2015	Deferred funding	2940	HH1			94,160.00		
15	12/31/2015	Deferred funding	2940	HH1		13,095.00			
15	12/31/2015	NEW-External Funds-Other Govt (non muni)	4492	HH1		94,160.00			
15	12/31/2015	NEW-External Funds-Other Govt (non muni)	4492	HH1			13,095.00		
To defer NrCan contributions used for EE equipment purchases to deferred capital contributions and record amortization of deferred capital contributions									
						1,645,932.06	1,645,932.06		
Net Income (Loss)			(456,040.25)						

DRAFT

For Discussion Purposes Only

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AS 4/6/2016			