



TA14.6

REPORT FOR INFORMATION

Unaudited Financial Results for the Year ended December 31, 2016

Date: January 30, 2017
To: The Atmospheric Fund Board of Directors
From: Director of Finance

SUMMARY

The draft financial results for 2016 are compared to TAF's approved 2016 budget, with commentary on the full year's results, which are subject to audit.

FINANCIAL IMPACT

None.

COMMENTS

Total Revenues (line A4) shows a small favourable variance of \$91K for the year. Revenue from investments (line A1) includes both realized and unrealized gains in TAF's investment portfolio.

Direct Investments (line A2) continued to deliver steady returns on loans and ESPA contracts.

External Funding revenue (line A3) is somewhat below budget; this year the focus was on securing the new \$17 million Ontario endowment. TAF brought a healthy \$1.3 million of deferred external revenues into 2016; this revenue line will be finalized as part of the year-end audit.

Program Expenses (line B3) were as budgeted. Grant rescissions (included in line B2) were \$30K in 2016. Grants are rescinded when the original granting conditions are not met or the recipient no longer needs the funds; this reverses previously expensed grants thereby adding back to TAF's Net Asset Value (NAV).

Corporate Expenses (line C4) indicate favourable variance of \$28K for the year.

Overall, after netting revenues and expenses, TAF unaudited results show an operating deficit of \$249K for the year, which is \$72K better than the budgeted deficit of \$321K. This is, incidentally, equal to the depreciation charge for retrofit assets held on TAF's books.

In keeping with best practices in endowment management, operating surpluses which exceed the budgeted investment rate of return were contributed to the Stabilization Fund. The accumulated Stabilization Fund totalled robust \$7.1 million at the end of 2015. The Stabilization Fund is part of TAF's endowment capital (or its net asset value (NAV)) to be used in "lean" years to reduce revenue variability due to financial market fluctuations. Thus the operating deficit of fiscal 2016 can easily be covered from TAF's Stabilization Fund.

New Endowment Funded by the Province of Ontario

In mid-November 2016, \$17 million was deposited by the Province into a new bank account set up for the Ontario-funded endowment. As guided by TAF's Investment Committee, these funds were promptly invested in fixed income products with TDAM. During fiscal 2017, TAF will gradually shift a portion of those funds into equities as guided by TAF's investment policies approved by the City of Toronto.

TAF's consolidated results for 2016 include those of the Ontario-funded endowment for the last 6 weeks of fiscal 2016 consisting of net portfolio revenues of \$4K and allocated administrative expenses of \$14K.

In conclusion, TAF is in a strong financial position at the end of 2016, driven by excellent performance of its investment portfolios and by keeping operating expenses within the budget envelope. The City-appointed Auditor will begin its audit process shortly and TAF's Audited Financial Statements will be presented at the Annual General Meeting on April 21, 2017.

CONTACT

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SIGNATURE

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ATTACHMENTS

Unaudited Summary of Revenue and Expenditures