Consolidated Financial Statements

Toronto Atmospheric Fund

December 31, 2025

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Toronto Atmospheric Fund
Consolidated Statement of Financial Position

December 31	2025	2024
Assets		
Current		
Cash	**$ 948,705**	$ 6,296,346
Accounts receivable	**1,783,671**	3,194,234
Current portion of loans receivable (Note 3)	**8,776,320**	1,690,907
Prepaid expenses	**306,820**	17,407
	11,815,516	11,198,894
Capital assets (Note 7)	**993,076**	1,630,663
Loans receivable (Note 3)	**-**	969,500
Investments held in trust by the City of Toronto (Note 4)	**77,183,949**	77,288,106
Investments in private funds and private entities (Note 5)	**13,974,853**	12,330,775
	$ 103,967,394	$ 103,417,938

	2025	2024
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 869,938**	$ 3,871,053
Grants payable (Note 9)	**1,111,662**	1,653,900
Current portion long-term debt (Note 12)	**324,963**	317,596
Deferred contributions (Note 10)	**1,038,727**	913,800
Funds held in trust - Dan Leckie Fund (Note 13)	**37,003**	35,075
	3,382,293	6,791,424
Long-term debt (Note 12)	**25,903**	350,866
	3,408,196	7,142,290
Fund balances (Note 16)		
Toronto Fund	**39,038,567**	37,218,932
Ontario Fund	**19,634,333**	18,864,846
Canada Fund	**41,886,298**	40,191,870
	100,559,198	96,275,648
	$ 103,967,394	$ 103,417,938

Contingency (Note 18)

______________________________ Chair

______________________________ Treasurer

See accompanying notes to the financial statements.

Toronto Atmospheric Fund
Consolidated Statement of Changes in Fund Balances
Year ended December 31, 2025

	Toronto Fund				
	Unrestricted	Remeasurement gains and losses	Stabilization (internally restricted)	Endowment	Total
Fund balances, December 31, 2023	**$ (5,772,016)**	**$ 12,632,304**	**$ 6,780,049**	**$ 23,000,000**	**$ 36,640,337**
Excess of revenue over expenses	2,446,924	-	-	-	2,446,924
Remeasurement losses	-	(1,868,329)	-	-	(1,868,329)
Stabilization transfer (Note 2c)	(578,595)	-	578,595	-	-
Fund balances, December 31, 2024	**(3,903,687)**	**10,763,975**	**7,358,644**	**23,000,000**	**37,218,932**
Excess of revenue over expenses	2,575,811	-	-	-	2,575,811
Remeasurement losses	-	(756,176)	-	-	(756,176)
Stabilization transfer (Note 2c)	(1,303,938)	-	1,303,938	-	-
Fund balances, December 31, 2025	**$ (2,631,814)**	**$ 10,007,799**	**$ 8,662,582**	**$ 23,000,000**	**$ 39,038,567**

	Ontario Fund				
	Unrestricted	Remeasurement gains and losses	Stabilization (internally restricted)	Endowment	Total
Fund balances, December 31, 2023	**$ (4,452,742)**	**$ 4,566,587**	**$ 1,405,478**	**$ 17,000,000**	**$ 18,519,323**
Excess of revenue over expenses	665,186	-	-	-	665,186
Remeasurement losses	-	(319,663)	-	-	(319,663)
Stabilization transfer (Note 2c)	(411,523)	-	411,523	-	-
Fund balances, December 31, 2024	**(4,199,079)**	**4,246,924**	**1,817,001**	**17,000,000**	**18,864,846**
Excess of revenue over expenses	1,447,096	-	-	-	1,447,096
Remeasurement losses	-	(677,609)	-	-	(677,609)
Stabilization transfer (Note 2c)	(561,021)	-	561,021	-	-
Fund balances, December 31, 2025	**$ (3,313,004)**	**$ 3,569,315**	**$ 2,378,022**	**$ 17,000,000**	**$ 19,634,333**

	Canada Fund				
	Unrestricted	Remeasurement gains and losses	Stabilization (internally restricted)	Endowment	Total
Fund balances, December 31, 2023	**$ (3,525,035)**	**$ 2,799,854**	**$ 1,483,753**	**$ 38,000,000**	**$ 38,758,572**
Deficiency of revenue over expenses	(39,535)	-	-	-	(39,535)
Remeasurement gains	-	1,472,833	-	-	1,472,833
Stabilization transfer (Note 2c)	(1,433,298)	-	1,433,298	-	-
Fund balances, December 31, 2024	**(4,997,868)**	**4,272,687**	**2,917,051**	**38,000,000**	**40,191,870**
Deficiency of revenue over expenses	512,028	-	-	-	512,028
Remeasurement losses	-	1,182,400	-	-	1,182,400
Stabilization transfer (Note 2c)	(1,487,882)	-	1,487,882	-	-
Fund balances, December 31, 2025	**$ (5,973,722)**	**$ 5,455,087**	**$ 4,404,933**	**$ 38,000,000**	**$ 41,886,298**

See accompanying notes to the financial statements.

Toronto Atmospheric Fund
Consolidated Statement of Operations
Year ended December 31

	Toronto Fund	Ontario Fund	Canada Fund	**Total 2025**	Total 2024
Revenue					
Investment income, net of fees	$ 3,964,114	$ 2,240,630	$ 2,409,482	**$ 8,614,226**	$ 9,450,299
Direct investment interest income	197,584	58,707	167,304	**423,595**	343,269
External funding (Note 10)	2,290,185	1,183,341	2,448,929	**5,922,455**	6,818,979
Energy Savings Performance Agreements	924,082	-	-	**924,082**	886,969
Sundry	12,796	6,356	13,260	**32,412**	53,656
	7,388,761	3,489,034	5,038,975	**15,916,770**	17,553,172
Expenses					
Programs (Note 14 and 15)	3,345,271	1,671,913	3,482,293	**8,499,477**	10,090,814
Grants	437,005	171,664	623,232	**1,231,901**	1,504,725
Administration salaries and employee benefits (Note 14)	292,147	151,586	314,226	**757,959**	743,525
Corporate expenses	69,877	30,995	79,936	**180,808**	238,241
Project contributions (Note 15)	7,321	3,853	8,091	**19,265**	-
Amortization	642,582	-	-	**642,582**	675,866
Bad debts	18,747	11,927	19,169	**49,843**	1,227,426
	4,812,950	2,041,938	4,526,947	**11,381,835**	14,480,597
Excess of revenue over expenses	$ 2,575,811	$ 1,447,096	$ 512,028	**$ 4,534,935**	$ 3,072,575

See accompanying notes to the financial statements.

Toronto Atmospheric Fund
Consolidated Statement of Remeasurement Gains and Losses
Year ended December 31

	Toronto Fund	Ontario Fund	Canada Fund	**Total 2025**	Total 2024
Accumulated remeasurement gains, beginning of year	$ 10,763,975	$ 4,246,924	$ 4,272,687	**$ 19,283,586**	$ 19,998,745
Increase (decrease) in unrealized gains and losses attributed to:					
Foreign exchange gains and (losses)	(387,784)	(215,335)	(514,378)	**(1,117,497)**	2,350,736
Investments held in trust by the City of Toronto	2,346,309	1,157,581	2,848,448	**6,352,338**	4,520,106
Amounts reclassified to the Statement of Operations	(2,714,701)	(1,619,855)	(1,151,670)	**(5,486,226)**	(7,586,001)
Net remeasurement gains and (losses) for the year	(756,176)	(677,609)	1,182,400	**(251,385)**	(715,159)
Accumulated remeasurement gains, end of year	$ 10,007,799	$ 3,569,315	$ 5,455,087	**$ 19,032,201**	$ 19,283,586

See accompanying notes to the financial statements.

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Toronto Atmospheric Fund
Consolidated Statement of Cash Flow

Year ended December 31	2025	2024
Operating Activities		
Excess (deficiency) of revenue over expenditures	**$ 4,534,935**	$ 3,072,575
Items not affecting cash		
Gain on sale of investments	**(5,486,226)**	(7,586,001)
Valuation allowance on capital assets and loans receivable	**30,496**	15,115
Amortization	**642,582**	675,866
Loss on write-off of loan receivable	**-**	990,338
	(278,213)	(2,832,107)
Changes in non-cash working capital items		
Accounts receivable	**1,410,563**	(1,543,566)
Prepaid expenses	**(289,413)**	(17,407)
Accounts payable and accrued liabilities	**(3,001,115)**	2,883,151
Grants payable	**(542,238)**	229,860
Deferred contributions	**124,927**	444,761
	(2,575,489)	(835,308)
Investing Activities		
Sale of investments	**23,287,103**	30,682,474
Purchase of investments	**(19,590,703)**	(26,328,573)
Income attributable to Dan Leckie Fund	**1,928**	1,829
Loans receivable collections	**1,943,412**	709,628
Loans receivable advances	**(8,113,800)**	(247,110)
	(2,472,060)	4,818,248
Capital Activities		
Proceeds from sale of capital assets	**17,504**	-
Financing Activities		
Repayment of line of credit		-
Repayment of long-term debt	**(317,596)**	(311,523)
	(317,596)	(311,523)
Increase in cash	**(5,347,641)**	3,671,417
Cash		
Beginning of year	**6,296,346**	2,624,929
End of year	**$ 948,705**	$ 6,296,346

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See accompanying notes to the financial statements.

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 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 (the “Board”) while the TAF Relationship Framework, approved by City Council in 2022, establishes specific governance protocols and accountability requirements to the City.

TAF is funded by three separate endowment contributions from the City, the Province of Ontario (the ”Province” or “Ontario”) and the Government of Canada, via the Federation of Canadian Municipalities (the “FCM” or “Canada”) (collectively referred to as the “Endowments”).

- The original endowment from the City was provided in 1992, upon creation of the TAF Act, for $23,000,000.
- Under a tripartite agreement between TAF, the City and the Province, TAF received a $17,000,000 endowment from the Province in November 2016 which expanded TAF’s geographical scope to the Greater Toronto and Hamilton Area (“GTHA”).
- In September 2020, TAF received a $38,000,000 endowment from the FCM, along with $2,000,000 in operating funding (Note 11).

TAF’s operations, including administrative and project expenses, is primarily financed through investment income from investments utilizing the Endowments, as well as by external grants and contributions. TAF does not draw on the City’s, the Province’s or Canada’s operating budgets.

TAF’s aim is to innovate, demonstrate, de risk and advance social, financial, policy and technological opportunities to achieve reductions in air pollution and 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 (PSAS-GNPO) as issued by the Public Sector Accounting Board.

b) Basis of consolidation

These consolidated financial statements also include TAF's wholly owned subsidiary, CAIT Ventures Inc., which is currently inactive and has an insignificant impact on TAF's consolidated financial statements.

c) Fund accounting

TAF follows the deferral method of accounting for contributions. The Board have designated the following funds to report TAF's activities:

Endowments

To meet the reporting requirements of the City, the Province and the FCM, the Board established three endowment funds, the Toronto Fund, the Ontario Fund and the Canada Fund, which tracks the Endowments contributed to TAF by each level of government.

Stabilization

In keeping with best practice for endowments, the Board established the Stabilization Funds 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 investments which exceeds the long-term average rate of return assumed in the annual budget is transferred from unrestricted funds to the stabilization funds. Similarly, when such investment income falls below the budgeted amount, the shortfall may be transferred from the stabilization funds to the unrestricted funds to cover the shortfall. TAF caps its stabilization funds to a maximum of 25% of its net asset value.

To meet the reporting requirements of the City, the Province and the FCM, the Board established three stabilization funds, the Toronto Fund, the Ontario Fund and the Canada Fund, which tracks the internally restricted amounts, one for each level of government.

During the year, the Board approved transfers of $1,303,938, $561,021 and $1,487,882 from unrestricted to stabilization for the Toronto Fund, the Ontario Fund and the Canada Fund respectively (2024 - $578,595, $411,523 and $1,433,298 from unrestricted to stabilization).

2. Significant accounting policies (continued)

c) Fund accounting (continued)

Unrestricted

Unrestricted funds report TAF's operating and program revenue and expenses. Revenue under the unrestricted funds include investment income and direct investment income from TAF's use of the Endowments and other external funding. All of TAF's operating, program and corporate expenses are reported in the unrestricted funds.

To meet the reporting requirements of the City, the Province and FCM, the Board has established three unrestricted funds, one for each level of government. The revenues and expenses in each unrestricted fund are associated with the investment income and allocated expenses, which align to the requirements of the agreements with each level of government. A proportionality ratio based on the audited net asset value of each fund is established annually in order to allocate investment income proportionately to each unrestricted funds, where applicable. External funding is received and used proportionately.

The Board has the authority to transfer excess revenue over expenses in the unrestricted funds to the corresponding stabilization funds or to utilize stabilization funds to cover any deficiency of revenue over expenses in each corresponding unrestricted fund.

d) Revenue recognition

Restricted contributions are deferred on the consolidated statement of financial position and recognized as revenue, in the unrestricted funds, in the year in which the related expenses are recognized.

Restricted contributions for depreciable capital assets are deferred on the consolidated statement of financial position and amortized into revenue, in the unrestricted funds, over the life of the related capital assets. 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.

Unrestricted contributions are recognized in the unrestricted funds as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Energy Savings Performance Agreement (ESPA) revenue includes payments made by building owners who have entered into an ESPA with TAF. Under an ESPA, the building owner pay TAF, a significant portion (typically 90%) of their actual energy savings from a building retrofit completed under the ESPA. Monthly payments made by the building owner are variable. TAF recognizes payments as revenue when receivable, as the payments are based on an investment grade energy audits performed before installation, which is a reliable estimate of the expected actual energy savings to be achieved by the building owner under the ESPA. Any true-up payments or refunds, as a result of energy savings audits required under the contract are recognized in the period in which the audits occur, and the actual energy savings are known. ESPA revenue is recognized in the unrestricted funds.

Sundry revenue is 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 (continued)

e) 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.

f) 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. Financial assets and liabilities are initially measured at fair value, except for loans receivable, which are initially measured at cost.

Subsequent measurement

At each reporting date, TAF measures its financial assets and liabilities at amortized cost, except for:

- Investments held in trust by the City of Toronto, which represent private pooled funds, which TAF has elected to measure at fair value;
- Investments in private funds and private entities, which are measured at cost less impairment; and
- Loans receivable, which are measured at the lower of cost and net realizable value (NRV).

Loans receivable denominated in foreign currencies are remeasured at the end of each reporting period and the unrealized foreign exchange gains and losses are recognized through the consolidated statement of remeasurement gains and losses.

For loans receivable, valuation allowances are made to reflect loans receivable at the lower of cost and NRV, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the consolidated statements of operations as bad debt expense. Interest is accrued on loans receivable and is recognized in the statements of operations as direct investment income.

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

g) Investment and direct investment income

Investment income consists of interest, dividends and realized gains (losses) on disposition of investments held in trust by the City of Toronto and investments in private funds and private entities. Investment income is recorded net of portfolio management fees and related fees, when received or receivable and is recognized in the consolidated statements of operations.

Direct investment income consists of interest earned on loans receivable and is recognized in the consolidated statements of operations.

2. Significant accounting policies (continued)

g) Investment and direct investment income (continued)

Unrealized gains and losses on investments held in trust by the City of Toronto, measured at fair value, are recorded in the consolidated statements of remeasurement gains and losses. To meet the reporting requirements of the City, the Province and the FCM, TAF tracks the accumulated remeasurement gains and losses in separate funds, one for each level of government. Once realized, any gain or loss is transferred to the statement of operations.

h) 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 statements of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are reclassified from the statements of remeasurement gains and losses to the statements of operations.

i) Grant expense

Approved one-time payment grants are reported as current liabilities and expenditures in the year approved. 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 is made after approval of the Board and on execution of a contribution 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 compliance with any conditions.

Grants can be rescinded by TAF when the original granting conditions have not been met, 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 purchased by TAF are recorded at cost and capital assets contributed to TAF are initially recorded at fair value at the date of contribution and subsequently accounted for at cost less impairment, if any.

Energy efficiency equipment, used in ESPAs and which is located on client premises, is amortized over its useful life, ranging from eight and half to ten years, using the straight-line method over.

Office improvements are amortized over its useful life of five years, using the straight-line method.

Assets under construction are not amortized until the asset is substantially complete and available for use.

When a capital asset no longer has any long-term service potential to the TAF, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. A write-down is not reversed.

2. Significant accounting policies (continued)

k) Corporate expenses

Corporate expenses include activities related to corporate communications, governance, organizational development, operations, and administration.

l) Use of estimates and measurement uncertainty

The preparation of these consolidated financial statements in conformity with PSAS-GNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions, which include valuation of investments, valuation of loans receivable, useful life of capital assets and significant accrued liabilities, are based on management's best information and judgment. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

m) Guarantees

TAF enters into guarantees on behalf of third parties, under which TAF may be required to make payments if the third party does not follow the terms and conditions of a contract. Contracts under which TAF provides guarantees of a third party's indebtedness, are considered guarantees to be disclosed, and in some instances recognized in the consolidated financial statements as a liability. TAF would record a liability for a guarantee when there is an obligation by TAF to make a payment on behalf of a third party and the payment is likely. Any fees received by TAF in compensation for providing a guarantee is recognized as revenue over the guarantee period.

n) 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 and loans receivable. TAF's cash is deposited with a Canadian Chartered bank and as a result, management believes the risk of loss to be remote. Accounts receivable is 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 reduced through a financial approval process, the use of general security agreements and pledges of assets, and insurance.

2. Significant accounting policies (continued)

n) Financial instruments (continued)

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, loans receivable, and investments are translated into Canadian dollars at the prevailing exchange rate. At December 31, 2025, cash and investments held denominated in U.S. dollars were, USD $25,925 and USD $17,696,228, respectively (2024 – USD $456,388 and USD $20,518,903).

ii) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value of financial instruments with a fixed interest rate or financial loss caused by cash flow fluctuations of financial instruments with a variable interest rate. TAF is exposed to fair value interest rate risk through its fixed income investments and loans receivable with fixed interest rates. There was no significant change in exposure from the prior year.

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 operates within the constraints established by the City-approved investment policy. This policy's application is guided and monitored by management, a third-party investment advisor, the Board and TAF's Board appointed Investment Committee and Direct Investment Committee.

Changes in risk

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

3. Loans receivable

One of TAF's mandates, as established through the TAF Act, includes making direct investments, including loans, to support local projects that help stabilize the concentration of greenhouse gases in the atmosphere and improve local air quality. Loans receivable are made using endowments from the City, the Province and FCM in accordance with the endowment agreements. TAF's direct investments in loans receivable are in accordance with the TAF investment policy (Note 4) that dictates the aggregate total investments in each asset category. Loans receivable are one of many potential financial instruments that fall under the direct investments category.

As part of a lending program, TAF has entered into two funding facilities with Efficiency Capital (EC) Inc. ("EC Inc."). EC Inc. is an exclusive licensee of TAF's ESPAs (Note 6) for the purpose of scaling up TAF's financing method for energy retrofit projects in buildings. The two funding facilities are to assist EC Inc.'s capital mobilization. Both facilities are revolving and thus can be repaid anytime if EC Inc. can refinance using external capital. Facilities include:

a. A warehouse revolving debt facility up to $7,000,000 in aggregate under an operating agreement between EC Inc. and TAF which is to be used as bridge financing for the funding of building retrofit energy projects. Individual projects can be financed up to $2,000,000 and EC Inc. has up to two years from the time of a first draw to either re-finance the debt using the secured subordinated debt facility, repay the outstanding value on the project or the interest rate on the loan increases significantly until repaid. At the end of 2025, EC Inc. has $ 2,000,000 (2024 – $Nil) outstanding on this facility; and

b. Secured subordinated revolving debt facility, up to $2,000,000 in aggregate, which is to be used by EC Inc. to finance, on a long-term basis, ESPAs under their licensing agreement with TAF. Each draw is a term loan within the facility with flexible repayment schedules, and penalties for loan term extensions. At the end of 2025, EC Inc. has $Nil (2024 - $1,264,587) outstanding, in aggregate, on this facility. All four loans were repaid in October 2025.

Other loans are provided to for-profit and non-profit organizations under TAF's mandate. All loans are negotiated based on market rates and terms.

Loans receivable consist of the following:

	2025	2024
Warehouse revolving debt facility with EC Inc.		
Loan for $2,000,000, interest accrues annually, payable earlier of maturity date March 31, 2026 or completion of project (i)	**$ 2,000,000**	$ -
Secured subordinated debt facility with EC Inc.		
Loan for $483,953, formerly repayable in monthly blended principal and interest installments of $4,523 (ii)	**-**	426,688
Loan for $568,270, formerly repayable in monthly blended principal and interest installments of $6,863 (iii)	**-**	460,707
Loan for $157,711, formerly repayable in monthly blended principal and interest installments of $2,940 (iv)	**-**	94,217
Loan for $317,032, formerly repayable in monthly blended principal and interest installments of $3,143 (v)	**-**	282,975

3. Loans receivable (continued)

	2025	2024
Other loans		
Loan for $750,000 formerly repayable in monthly blended principal and interest installments of $9,048 (vi)	**-**	78,825
Loan for $1,250,000, no scheduled payments and due on demand Interest accrues daily (vii)	**1,250,000**	1,250,000
Loan for $250,000, convertible to preferred shares at the option of TAF. Annualized interest accruing daily with no compounding and a maturity date of September 2026. (viii)	**259,386**	246,773
Loan for $250,000, convertible to preferred shares at the option of TAF. Annualized interest accruing daily with no compounding and a maturity date of September 2026. (ix)	**259,387**	
Loan for $2,841,800 with Toronto Community Housing Corporation ("TCHC"), a short-term construction loan that will be paid out or converted to a long-term loan in 2026. (Note 15)	**2,841,800**	-
Loan agreement for a revolving fixed rate credit facility for a maximum of $4,500,000. This short term working capital loan is secured with a third party guarantee. Interest income is earned on the outstanding balance plus a standby fee on the unused balance of the commitment. (x)	**2,400,000**	-
	9,010,573	2,840,185
Allowance for credit losses	**(234,253)**	(179,778)
	8,776,320	2,660,407
Less current portion	**(8,776,320)**	(1,690,907)
	$ -	$ 969,500

Loans receivable (iv), (v), and (vi) pertain to the City funds. Loan receivable (i) pertains proportionately to the City and Province funds. Loan receivable (ii) pertains proportionately to the Province and the Canada funds. Loan receivables (iii), (vii), (viii), (ix),(x), pertains proportionately to the City, the Province and the Canada funds.

The subordinated debt is a fixed interest rate facility and other loans are negotiated to reflect market rates and risk factors at the time of issuance. The loan receivables have fixed rates of interest in the range of 6% to 13%.

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. Allowance for impaired loans is as follows:

3. Loans receivable (continued)

	2025	2024
Balance, beginning of year	**$ 179,778**	$ 126,554
Write downs during the year	**(362)**	(86,391)
Increase in credit provision	**54,837**	139,615
Balance, end of year	**$ 234,253**	$ 179,778

4. 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"). Investments consist of pooled funds managed by investment managers selected and conditioned 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 all 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 (including loans receivable (Note 3)) up to 60%;
- publicly traded equities (including pooled funds) up to 55%;
- alternative investments (which includes private equities) up to 15%; and
- a minimum of 20% in fixed income.

TAF's investments 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, 2025, investments include items classified as Level 2 (2024 – Level 2).

4. Investments held in trust by the City of Toronto (continued)

	Toronto Fund	Ontario Fund	Canada Fund	**2025 Total**	2024 Total
TD Emerald Canadian Bond Pooled Fund Trust	$ 974,046	$ 507,800	$ 1,062,928	**$ 2,544,774**	$ 4,036,369
TD Emerald Canadian Short Term Investment Fund	890,922	471,643	514,084	**1,876,649**	2,790,499
TD Greystone Short Bond Plus Fund	3,703,393	2,424,877	4,203,555	**10,331,825**	15,682,735
Greenchip Global Equity Fund	5,075,903	2,415,012	5,338,181	**12,829,096**	12,667,349
Generation IM Global Equity A Shares A32	4,677,803	1,613,986	5,129,721	**11,421,510**	18,551,260
NEI Environmental Leaders Fund	3,135,842	1,651,404	3,465,531	**8,252,777**	7,589,656
Dimensional Global Sustainability Core Equity Fund	3,537,135	1,855,348	3,892,665	**9,285,148**	8,198,148
Alphafixe Green Bond	4,026,122	2,065,088	4,232,897	**10,324,107**	7,772,090
RPIA Bond (Fossil Fuel Excluded)	3,920,864	2,063,612	4,333,587	**10,318,063**	-
	$ 29,942,030	$ 15,068,770	$ 32,173,149	**$ 77,183,949**	$ 77,288,106

5. Investments in private funds and private entities

Investment in private funds and private entities is comprised of:

	Toronto Fund	Ontario Fund	Canada Fund	**2025 Total**	2024 Total
InvestEco Private Equity Fund III, LP	$ 937	$ -	$ -	**$ 937**	$ 937
InvestEco Sustainable Food Fund	14,814	-	-	**14,814**	27,304
InvestEco Sustainable Food Fund III	83,352	42,939	-	**126,291**	122,391
Greensoil Building Innovation Fund	67,870	61,034	-	**128,904**	160,213
Greensoil Property Fund Tech Fund	-	133,181	532,516	**665,697**	460,552
One Planet Living Fund	-	181,699	726,795	**908,494**	799,784
Active Impact	-	70,661	282,646	**353,307**	278,830
Spring Lane Capital Fund II	-	222,155	888,619	**1,110,774**	690,823
Noveon Magnetic (Project Uncommon)	545,440	290,887	618,029	**1,454,356**	1,454,356
Kite Mobility	-	-	-	**-**	400,000
Peak	-	226,345	905,381	**1,131,726**	1,131,726
RE Royalties	380,000	200,000	420,000	**1,000,000**	1,000,000
IFM Net Zero Infrastructure Fund	962,500	500,000	1,037,500	**2,500,000**	2,500,000
CC&L Infrastructure	1,260,810	650,000	1,339,190	**3,250,000**	3,250,000
Cycle H20	21,624	10,993	22,535	**55,152**	24,591
7 Generation	400,497	205,151	420,559	**1,026,207**	2,485
PaceZero	86,895	44,521	91,269	**222,685**	1,273
Electric Driver Fund	10,218	5,014	10,277	**25,509**	25,510
	$ 3,834,957	$ 2,844,580	$ 7,295,316	**$ 13,974,853**	$ 12,330,775

5. Investments in private funds and private entities (continued)

Private funds are valued at cost and with values adjusted downward in instances of permanent impairment.

Included in the private funds are two Infrastructure funds, IFM Net Zero Infrastructure Fund and CC&L Infrastructure Fund. These two private investments are unique in the private fund portfolio since these funds have short term liquidity redeemable upon demand unlike the other private funds that have longer term more prescribed liquidity eligibilities.

6. Energy Savings Performance Agreements Program

<u>TAF Energy Savings Performance Agreements and Capital Assets</u>

In 2012, TAF began marketing a program based on its proprietary 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 building owner who undertakes to 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. Remittances and other amounts due to TAF under the ESPA agreements are recorded as revenue in the general funds.

The equipment installed in the building under an ESPA is the property of TAF and is part of TAF's capital assets (Note 7). Amortization expense associated with these assets are recorded as an expense in the unrestricted funds. At the end of the agreement, ownership of the equipment is sold to the building owner, in accordance with the terms and conditions of the ESPA.

As of December 31, 2025, there were four (2024 - five) active TAF ESPAs. The total depreciated value of the ESPA capital assets amounts to $993,076 (2024 - $1,630,663). The ESPAs have a term ranging from 8.5 to 15 years.

<u>Energy Savings Performance Agreements Licensing</u>

EC Inc., an arm's length third party, is the exclusive licensee of TAF's ESPA program and can finance projects under TAF's revolving warehouse or revolving secured subordinated debt facilities (Note 4).

Under the warehouse facility, TAF enters into ESPAs with a building owner, which EC Inc. will administer for a fee. The draw on the warehouse facility is equal to the cost of the retrofit and EC Inc. then has up to two years to repay the warehouse facility draw or re-finance the draw under the secured subordinated debt facility.

TAF uses the same financial risk mitigation policies above for its ESPA licensing arrangements.

The cash flows from one ESPA is pledged as security for two third party loans as discussed in Note 12. The total revenue from this active ESPA amounted to $35,147 (2024 - $34,422).

7. Capital assets

			2025	2024
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
ESPA equipment (Note 6)	$ 6,075,677	$ 5,082,601	**$ 993,076**	$ 1,630,663

8. Credit facility

TAF has a revolving line of credit with a Canadian chartered bank, repayable on demand with interest calculated at the bank’s prime rate plus 0.50% per annum. The credit limit is the lesser of $3,070,000 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, 2025 was $Nil (2024 - $ Nil).

9. Grants approved and payable

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

	2025	2024
Balance, beginning of the year	**$ 1,653,900**	$ 1,424,040
Grants approved during the year	**1,600,446**	4,225,760
Grants rescinded during the year	**(259,085)**	-
Grants paid during the year	**(1,883,599)**	(3,995,900)
	$ 1,111,662	$ 1,653,900

10. Deferred contributions

External funding received by TAF which are externally restricted for project expenditures in the future are deferred and recognized as revenue, in the general funds, in the year the expenditures are incurred.

	2025	2024
External funding brought forward from prior year	**$ 913,800**	$ 469,035
External funding received during the year	**6,047,382**	7,263,744
Total external funding committed to TAF	**6,961,182**	7,732,779
External funding recognized - Toronto fund	**2,290,185**	2,621,475
External funding recognized - Ontario fund	**1,183,341**	1,362,780
External funding recognized - Canada fund	**2,448,929**	2,834,724
	5,922,455	6,818,979
External funding carried forward into subsequent year	**$ 1,038,727**	$ 913,800

11. Canada Operating Funding

During 2020, TAF received $2,000,000 from the FCM, as operating funding to support eligible operating expenditures. The $2,000,000 in operating funding was unrestricted and recognized in the consolidated statement of operations of the Canada Fund in 2020 when it was received. The unspent balance of the operating funding is included in the Canada unrestricted fund balance.

	2025	2024
Canada Operating Funding brought forward from prior year	**$ 633,328**	$ 1,083,328
Total Canada Operating Funding committed to TAF	**633,328**	1,083,328
Expenditures incurred during the year:		
Programs	**-**	414,763
Administration salaries and employee benefits	**-**	18,423
Corporate expenses	**-**	16,814
	-	450,000
Canada Operating Funding carried forward into subsequent year	**$ 633,328**	$ 633,328

12. Long-term debt

	2025	2024
FCM loan, bearing interest at 1.75%, due May 20, 2026, repayable in blended semi-annual installments of $154,111, secured by the investment portfolio.	**$ 305,372**	$ 604,330
Third party loan, 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.	**22,747**	32,066
Third party loan, 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.	**22,747**	32,066
	350,866	668,462
Less: current portion	**324,963**	317,596
	$ 25,903	$ 350,866

Principal repayments over the next year is as follows:

2026	$ 324,963
2027	20,593
2028	5,310
	$ 350,866

13. Dan Leckie Fund

The purpose of the Dan Leckie Fund, which was originally funded at $28,373, is to generate income to explore innovative opportunities for emission reduction that TAF can potentially support and advance. 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:

	2025	2024
Opening balance and original fund principal	**$ 35,075**	$ 33,246
Income attributed from TAF	**1,928**	1,829
Closing balance	**$ 37,003**	$ 35,075

14. Salary allocation to program delivery

TAF allocates salaries and benefits to program expenditures based on the time staff spends working on TAF programs. The percent of salaries and benefits allocated to the program expenditures was 84% in 2025 (2024 - 82%).

	2025			
	Toronto Fund	Ontario Fund	Canada Fund	Total
Program salaries and benefits	$ 1,577,890	$ 821,154	$ 1,704,620	$ 4,103,664
Administration salaries and benefits	292,147	151,586	314,226	757,959
Total salaries and benefits	**$ 1,870,037**	**$ 972,740**	**$ 2,018,846**	**$ 4,861,623**

	2024			
	Toronto Fund	Ontario Fund	Canada Fund	Total
Program salaries and benefits	$ 1,333,586	$ 693,655	$ 1,422,882	$ 3,450,123
Administration salaries and benefits	289,380	148,965	305,180	743,525
Total salaries and benefits	$ 1,622,966	$ 842,620	$ 1,728,062	$ 4,193,648

15. Related party transactions

During 2023, TAF entered into a project services agreement (the “Project”), with TCHC, another City agency, to manage the installation of a range of measures, including heating and cooling equipment, to reduce energy use and carbon emissions at a TCHC property. The total value of the Project is $5,800,000, net of tax.

In 2025, TAF recognized external funding revenue of $3,014,931 (2024 - $2,934,434) for receipts from TCHC, which have been applied to program expenses of the Project.

As part of a completed project with TCHC, TAF agreed to provide a loan facility of $2,841,800 to TCHC, which will be funded either by utilizing TAF capital or from a future loan funded to TAF by FCM, which was approved in 2018 but has not yet been drawn on. TAF has also agreed to utilize a $325,000 grant that will accompany the FCM loan, towards the Project. Accrued interest on the receivable amounts to $81,727. At balance sheet date, TAF has a short-term construction loan with TCHC for $2,841,800 (Note 3) pending conversion to long-term loan with a Notice of Conversion commenced in 2026. TAF is actively working toward receipt of the FCM funding which is expected in 2026.

In addition to the Project, TAF has recognized $430,249 of ESPA revenue (2024 - $421,813) from TCHC, for an ESPA retrofit TAF completed for TCHC in the past.

16. Fund balances by restriction

	Unrestricted			
	Toronto Fund	Ontario Fund	Canada Fund	Total
Fund balances, December 31, 2023	**$ (5,772,016)**	**$ (4,452,742)**	**$ (3,525,035)**	**$ (13,749,793)**
Excess (deficiency) of revenue over Expenses	2,446,924	665,186	(39,535)	3,072,575
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	(578,595)	(411,523)	(1,433,298)	(2,423,416)
Fund balances, December 31, 2024	**$ (3,903,687)**	**$ (4,199,079)**	**$ (4,997,868)**	**$ (13,100,634)**
Excess of revenue over expenses	2,575,811	1,447,096	512,028	4,534,935
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	(1,303,938)	(561,021)	(1,487,882)	(3,352,841)
Fund balances, December 31, 2025	**$ (2,631,814)**	**$ (3,313,004)**	**$ (5,973,722)**	**$ (11,918,540)**

	Remeasurement gains and losses			
	Toronto Fund	Ontario Fund	Canada Fund	Total
Fund balances, December 31, 2023	**$ 12,632,304**	**$ 4,566,587**	**$ 2,799,854**	**$ 19,998,745**
Deficiency of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	(1,868,329)	(319,663)	1,472,833	(715,159)
Stabilization transfer	-	-	-	-
Fund balances, December 31, 2024	**$ 10,763,975**	**$ 4,246,924**	**$ 4,272,687**	**$ 19,283,586**
Deficiency of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	(756,176)	(677,609)	1,182,400	(251,385)
Stabilization transfer	-	-	-	-
Fund balances, December 31, 2025	**$ 10,007,799**	**$ 3,569,315**	**$ 5,455,087**	**$ 19,032,201**

16. Fund balances by restriction (continued)

	Internally Restricted			
	Stabilization Fund Toronto	Stabilization Fund Ontario	Stabilization Fund Canada	Total
Fund balances, December 31, 2023	**$ 6,780,049**	**$ 1,405,478**	**$ 1,483,753**	**$ 9,669,280**
Excess of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	578,595	411,523	1,433,298	2,423,416
Fund balances, December 31, 2024	**$ 7,358,644**	**$ 1,817,001**	**$ 2,917,051**	**$ 12,092,696**
Excess of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	1,303,938	561,021	1,487,882	3,352,841
Fund balances, December 31, 2025	**$ 8,662,582**	**$ 2,378,022**	**$ 4,404,933**	**$ 15,445,537**

	Endowment			
	Toronto Fund	Ontario Fund	of Canada Fund	Total
Fund balances, December 31, 2023	**$ 23,000,000**	**$ 17,000,000**	**$ 38,000,000**	**$ 78,000,000**
Excess of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	-	-	-	-
Fund balances, December 31, 2024	**$ 23,000,000**	**$ 17,000,000**	**$ 38,000,000**	**$ 78,000,000**
Excess of revenue over expenses	-	-	-	-
Net changes in remeasurement gains	-	-	-	-
Stabilization transfer	-	-	-	-
Fund balances, December 31, 2025	**$ 23,000,000**	**$ 17,000,000**	**$ 38,000,000**	**$ 78,000,000**

17. TAF budget fiscal year 2025 (unaudited)

TAF is a self-sustaining organization, funded through endowment funds (restricted contributions) and it does not draw on the tax base of the City, the Province or the Federal government. Financial reports against the budget are provided to the Board quarterly. TAF's approved 2025 consolidated annual operating budget is as follows:

(In thousands of dollars)	**2025 (unaudited)**	2024 (unaudited)
Revenue		
Investment portfolio revenues	**$ 5,040**	$ 4,449
Loan interest and transaction fees	**1,125**	1,400
External funding	**5,609**	5,059
Allocation from TAF's capital (if required)	**450**	450
	12,224	11,358
Program delivery expenditures		
Strategic programs	**8,984**	8,113
New and committed grants	**1,360**	1,360
Total programs and projects	**10,344**	9,473
Administration (including amortization)	**1,880**	1,885
Total expenditures	**$ 12,224**	$ 11,358

18. Contingencies

TAF has guaranteed a term loan payable by a third party. The balance of the term loan outstanding at December 31, 2025 was $3,500,000. The loan and guarantee began August 1, 2025, and has a four-year term. This contingent liability would become an obligation for TAF to the lender in the event of default by the borrower. TAF's compensation for providing the guarantee includes a warrant with a ten-year exercise period to purchase shares in the third party plus a cash monthly commitment guarantee fee of $8,750 over the four-year period. Management has determined the value of the warrant to be immaterial and has not been recorded as an asset in these consolidated financial statements.

19. Comparative figures

Certain comparative figures have been reclassified to conform to changes in the current fiscal year presentation.