

**SECOND BASE (SCARBOROUGH)
YOUTH SHELTER**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

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AUDITORS' REPORT

TO THE DIRECTORS OF THE
SECOND BASE (SCARBOROUGH) YOUTH SHELTER

We have audited the balance sheet of the Second Base (Scarborough) Youth Shelter as at December 31, 2002 and the statements of revenues and expenditures and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Shelter's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian 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 management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Shelter derives revenue from donations and fund-raising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Shelter and we were unable to determine whether any adjustments might be necessary to revenues, excess of expenditures over revenues, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Shelter as at December 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarke Henning LLP
CHARTERED ACCOUNTANTS

Toronto, Ontario
April 3, 2003



Member
Independent
Accountants
International

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

BALANCE SHEET

AS AT DECEMBER 31, 2002

	Operating Fund		Capital Fund		Total	
	2002	2001	2002	2001	2002	2001
ASSETS						
Current assets						
Cash	\$ 143,330	\$ 61,147	\$ 4,839	\$ 26	\$ 148,169	\$ 61,173
Short term deposits	-	-	-	70,000	-	70,000
Accounts receivable						
City of Toronto Shelter, Housing and Support Division	87,172	77,463	-	-	87,172	77,463
Other	17,208	11,894	-	-	17,208	11,894
Prepaid expenses	39,573	17,529	9,874	-	49,447	17,529
	287,283	168,033	14,713	70,026	301,996	238,059
Property and equipment (note 3)	-	-	2,020,117	1,995,540	2,020,117	1,995,540
	287,283	168,033	2,034,830	2,065,566	2,322,113	2,233,599


LIABILITIES AND NET ASSETS

Current liabilities						
Accounts payable and accrued liabilities	85,007	89,337	-	-	85,007	89,337
Pay equity (note 10)	211,250	-	-	-	211,250	-
Current portion of capital lease (note 5)	-	-	3,328	3,328	3,328	3,328
	296,257	89,337	3,328	3,328	299,585	92,665
Deferred contributions (note 4)	26,020	28,056	90,637	-	116,657	28,056
Capital lease payable (note 5)	-	-	3,043	6,373	3,043	6,373
	322,277	117,393	97,008	9,701	419,285	127,094
Net assets						
Fund balance	(34,994)	50,640	1,937,822	2,055,865	1,902,828	2,106,505
	\$ 287,283	\$ 168,033	\$ 2,034,830	\$ 2,065,566	\$ 2,322,113	\$ 2,233,599

Approved on behalf of the Board:

Mary Taylor, President

Sue Wilson, Treasurer

SECOND BASE (SCARBOROUGH) YOUTH SHELTER
STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS
YEAR ENDED DECEMBER 31, 2002

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Revenues						
Fees - City of Toronto Shelter, Housing and Support Division	\$ 934,617	\$ 796,832	\$ -	\$ -	\$ 934,617	\$ 796,832
Donations						
Agincourt Civitan Club	-	5,000	-	-	-	5,000
Donations-in-kind	21,364	14,610	-	-	21,364	14,610
Other	29,864	33,580	-	-	29,864	33,580
Membership United Way	70,000	70,000	-	-	70,000	70,000
Grants (note 4)	153,307	187,220	-	-	153,307	187,220
Fund-raising, net (note 6)	2,856	8,028	-	-	2,856	8,028
Interest	-	-	379	2,667	379	2,667
	1,212,008	1,115,270	379	2,667	1,212,387	1,117,937
Expenditures						
Audit	4,879	4,955	-	-	4,879	4,955
Consultants	14,512	2,283	-	-	14,512	2,283
Depreciation	-	-	81,704	79,560	81,704	79,560
Insurance	14,564	13,412	-	-	14,564	13,412
Amortization of deferred contributions	-	-	(4,363)	-	(4,363)	-
Office and general	15,153	15,420	-	-	15,153	15,420
Program costs						
- Food	61,702	64,810	-	-	61,702	64,810
- Drop in	11,759	10,215	-	-	11,759	10,215
- TTC resident travel	21,525	25,867	-	-	21,525	25,867
- Other	3,478	5,017	-	-	3,478	5,017
Rent	24,480	24,000	-	-	24,480	24,000
Repairs and maintenance	84,858	71,809	-	-	84,858	71,809
Salaries and benefits	796,729	877,313	-	-	796,729	877,313
Staff development	1,528	3,089	-	-	1,528	3,089
Telephone and cable	7,198	7,196	-	-	7,198	7,196
Utilities	65,108	60,631	-	-	65,108	60,631
	1,127,473	1,186,017	77,341	79,560	1,204,814	1,265,577
Excess (deficiency) of revenues over expenditures before pay equity						
	84,535	(70,747)	(76,962)	(76,893)	7,573	(147,640)
Pay equity (note 10)						
	211,250	-	-	-	211,250	-
Deficiency of revenues over expenditures for the year						
	(126,715)	(70,747)	(76,962)	(76,893)	(203,677)	(147,640)
Inter-fund transfers (note 7)						
	41,081	28,629	(41,081)	(28,629)	-	-
Net assets - at beginning of year						
	50,640	92,758	2,055,865	2,161,387	2,106,505	2,254,145
Net assets - at end of year						
	\$ (34,994)	\$ 50,640	\$ 1,937,822	\$ 2,055,865	\$ 1,902,828	\$ 2,106,505

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2002

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	2002	2001	2002	2001	2002	2001
Cash flows from operating activities						
Cash received from grants, donations and fund-raising	\$ 1,173,587	\$ 1,049,244	\$ 94,999	\$ -	\$ 1,268,586	\$ 1,049,244
Cash paid to employees and suppliers	(1,132,485)	(1,140,972)	-	-	(1,132,485)	(1,140,972)
Interest paid	-	(1,873)	-	-	-	(1,873)
Interest received	-	-	379	2,667	379	2,667
	41,102	(93,601)	95,378	2,667	136,480	(90,934)
Cash flows from financing activity						
Payments on capital lease payable	-	-	(3,330)	(3,330)	(3,330)	(3,330)
Cash flows from investing activities						
Inter-fund transfers	41,081	28,629	(41,081)	(28,629)	-	-
Purchase of property and equipment	-	-	(106,280)	(2,705)	(106,280)	(2,705)
Payments toward Transitional Housing	-	-	(9,874)	-	(9,874)	-
	41,081	28,629	(157,235)	(31,334)	(116,154)	(2,705)
Change in cash and cash equivalents during the year						
	82,183	(64,972)	(65,187)	(31,997)	16,996	(96,969)
Cash and cash equivalents - at beginning of year						
	61,147	126,119	70,026	102,023	131,173	228,142
Cash and cash equivalents - at end of year						
	143,330	61,147	4,839	70,026	148,169	131,173
Cash equivalents is represented by:						
Cash	143,330	61,147	4,839	26	148,169	61,173
Short term deposits	-	-	-	70,000	-	70,000
	\$ 143,330	\$ 61,147	\$ 4,839	\$ 70,026	\$ 148,169	\$ 131,173

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

1. ORGANIZATION AND OBJECTIVES

Second Base (Scarborough) Youth Shelter is a not-for-profit organization incorporated without share capital under the laws of Ontario. It is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax.

The objectives of the Shelter are to provide twenty-four hour crisis intervention, food, clothing and up to three months shelter for homeless youth aged sixteen to twenty-one.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Shelter follows Canadian generally accepted accounting principles in the preparation of its financial statements which require that the statements be prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenditures are recorded when incurred.

The operating fund accounts for the day-to-day service delivery of the Shelter.

The capital fund accounts for the Shelter's property and equipment and related revenue and expenditures. The fund is charged with the depreciation on property and equipment and is increased by interest on investments and government grants supplemented by transfers from the operating fund.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives at the following annual rates:

Building	- straight line over the term of the land lease
Office furniture	- 20% declining balance
Computer equipment and software	- 30% declining balance
Equipment under capital lease	- straight line over the term of the lease

One-half of the above rates are used in the year of acquisition.

Revenue Recognition

The Shelter follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

All other revenues are recognized as revenue when earned.

Donations-In-Kind and Pledges to Donate

Recognition is given in the financial statements to donations-in-kind that are used in the normal course of business when a reasonable estimate of value can be made. Donations-in-kind for fund-raising purposes are not recognized in the financial statements.

Pledges to donate funds are not recorded in the accounts until the funds have been received.

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

Volunteers contribute significant amounts of time to assist the Shelter in carrying out its mandate. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Shelter's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

3. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	
			<i>2002</i>	<i>2001</i>
Building	\$ 2,559,590	\$ 592,172	\$ 1,967,418	\$ 1,940,859
Office furniture	182,777	141,626	41,151	37,517
Computer equipment	27,608	24,062	3,546	5,066
Computer software	6,427	5,574	853	1,218
Equipment under capital lease	20,516	13,367	7,149	10,880
	\$ 2,796,918	\$ 776,801	\$ 2,020,117	\$ 1,995,540

4. DEFERRED CONTRIBUTIONS

Operating Contributions

Deferred contributions represent restricted funding received in the current period that is related to a subsequent period. Changes in the deferred contributions balance are as follows:

	<i>2002</i>	<i>2001</i>
Balance - at beginning of year	\$ 28,056	\$ 75,796
Amounts received during the year:		
City of Toronto Homeless Initiatives Fund Project	20,000	21,667
United Way Winter Relief	15,000	20,500
Redirection of Emergency Hostel Funding	113,148	91,667
Ontario Works	2,103	4,646
Other	1,020	1,000
	\$ 179,327	\$ 215,276

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

4. DEFERRED CONTRIBUTIONS (continued)

	2002	2001
Carried forward	\$ 179,327	\$ 215,276
Less amount recognized as revenue during the year:		
City of Toronto Homeless Initiatives Fund Project	23,056	19,611
United Way Winter Relief	15,000	17,266
Redirection of Emergency Hostel Funding	113,148	119,164
Ontario Works	2,103	25,479
Other	-	5,700
	153,307	187,220
Balance - at end of year	\$ 26,020	\$ 28,056

Capital Contributions

Deferred capital contributions represent grants received in order to help fund property and equipment acquisitions. Amortization of these deferred capital contributions is being taken at the same rate as the related property and equipment.

5. CAPITAL LEASE

Following is a schedule of future minimum lease payments under a capital lease expiring in 2004, together with the balance of the obligation under capital lease.

Total minimum lease payments:	
2003	\$ 5,203
2004	4,760
	9,963
Less amount representing interest at 18%	3,592
	6,371
Current portion	3,328
	\$ 3,043

6. FUND-RAISING

	Revenues	Expenses	Net Revenue	
			2002	2001
Bingo	\$ -	\$ -	\$ -	\$ (502)
Nevada	10,021	7,113	2,908	8,227
Other	869	921	(52)	303
	\$ 10,890	\$ 8,034	\$ 2,856	\$ 8,028

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

7. INTER-FUND TRANSFERS

During the year, the Board of Directors approved transfers totalling \$41,081 (\$28,629 in 2001) to the operating fund from the capital fund.

8. COMMITMENTS

(a) Lease Commitment

The Shelter is obligated, until 2032, for the rental of land under a non-cancelable operating lease at \$24,480 per annum.

(b) Third Base Transitional Housing

The Shelter is investigating a project to provide transitional housing. This project will not proceed until financing has been arranged. Costs of \$9,874 had been incurred as at December 31, 2002.

9. FINANCIAL INSTRUMENTS

The Shelter's financial instruments consist of cash, short term deposits, accounts receivable, accounts payable and accrued liabilities, pay equity and capital lease payable. It is management's opinion that the Shelter is not exposed to significant interest, currency or credit risks arising from these financial instruments.

10. PAY EQUITY

The Shelter has an obligation to pay \$196,250 plus estimated benefits of \$15,000 in order to comply with provincial pay equity legislation.

11. COMPARATIVE FIGURES

The 2001 amounts have been reclassified, where applicable, to conform with the 2002 presentation.