

**SECOND BASE (SCARBOROUGH)
YOUTH SHELTER**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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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, 2003 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, 2003 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 17, 2004



Member:
Independent
Accountants
International

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

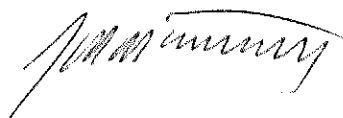
BALANCE SHEET

AS AT DECEMBER 31, 2003

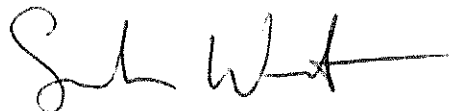
	Operating Fund		Capital Fund		Total	
	2003	2002	2003	2002	2003	2002
ASSETS						
Current assets						
Cash	\$ 238,258	\$ 143,330	\$ 1,094	\$ 4,839	\$ 239,352	\$ 148,169
Accounts receivable						
City of Toronto Shelter, Housing and Support Division	89,562	85,355	-	-	89,562	85,355
Other	12,737	19,025	-	-	12,737	19,025
Prepaid expenses	15,405	39,573	-	9,874	15,405	49,447
	355,962	287,283	1,094	14,713	357,056	301,996
Property and equipment (note 3)	-	-	1,952,886	2,020,117	1,952,886	2,020,117
	355,962	287,283	1,953,980	2,034,830	2,309,942	2,322,113
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	87,332	85,007	-	-	87,332	85,007
Pay equity (note 11)	238,640	211,250	-	-	238,640	211,250
Current portion of capital lease (note 6)	-	-	3,007	3,328	3,007	3,328
	325,972	296,257	3,007	3,328	328,979	299,585
Deferred contributions (note 5)	78,709	26,020	90,856	90,637	169,565	116,657
Capital lease payable (note 6)	-	-	-	3,043	-	3,043
	404,681	322,277	93,863	97,008	498,544	419,285
Net assets						
Fund balance	(48,719)	(34,994)	1,860,117	1,937,822	1,811,398	1,902,828
	\$ 355,962	\$ 287,283	\$ 1,953,980	\$ 2,034,830	\$ 2,309,942	\$ 2,322,113

Approved on behalf of the Board:

Michael McCarthy, President



Gordon Woods, Treasurer



SECOND BASE (SCARBOROUGH) YOUTH SHELTER
STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS
YEAR ENDED DECEMBER 31, 2003

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Revenues						
Fees - City of Toronto Shelter, Housing and Support Division	\$ 918,510	\$ 934,617	\$ -	\$ -	\$ 918,510	\$ 934,617
Donations						
Donations-in-kind	18,951	21,364	-	-	18,951	21,364
Other	23,599	29,864	-	-	23,599	29,864
Membership United Way	70,000	70,000	-	-	70,000	70,000
Grants (note 5)	193,773	153,307	-	-	193,773	153,307
Fund-raising, net (note 7)	14,198	2,856	-	-	14,198	2,856
Interest	-	-	-	379	-	379
	1,239,031	1,212,008	-	379	1,239,031	1,212,387
Expenditures						
Audit	6,453	4,879	-	-	6,453	4,879
Consultants	21,921	14,512	-	-	21,921	14,512
Depreciation	-	-	82,188	81,704	82,188	81,704
Insurance	18,701	14,564	-	-	18,701	14,564
Amortization of deferred contributions	-	-	(4,703)	(4,363)	(4,703)	(4,363)
Office and general	16,732	15,153	-	-	16,732	15,153
Program costs						
- Food	82,948	61,702	-	-	82,948	61,702
- Drop in	5,316	11,759	-	-	5,316	11,759
- TTC resident travel	29,793	21,525	-	-	29,793	21,525
- Other	3,998	3,478	-	-	3,998	3,478
Rent	24,480	24,480	-	-	24,480	24,480
Repairs and maintenance	89,700	84,858	-	-	89,700	84,858
Salaries and benefits	861,995	796,729	-	-	861,995	796,729
Staff development	3,540	1,528	-	-	3,540	1,528
Telephone and cable	8,414	7,198	-	-	8,414	7,198
Utilities	69,111	65,108	-	-	69,111	65,108
Transitional housing	-	-	9,874	-	9,874	-
	1,243,102	1,127,473	87,359	77,341	1,330,461	1,204,814
Excess (deficiency) of revenues over expenditures before pay equity	(4,071)	84,535	(87,359)	(76,962)	(91,430)	7,573
Pay equity (note 11)	-	211,250	-	-	-	211,250
Deficiency of revenues over expenditures for the year	(4,071)	(126,715)	(87,359)	(76,962)	(91,430)	(203,677)
Inter-fund transfers (note 8)	(9,654)	41,081	9,654	(41,081)	-	-
Net assets - at beginning of year	(34,994)	50,640	1,937,822	2,055,865	1,902,828	2,106,505
Net assets - at end of year	\$ (48,719)	\$ (34,994)	\$ 1,860,117	\$ 1,937,822	\$ 1,811,398	\$ 1,902,828

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Cash flows from operating activities						
Cash received from grants, donations and fund-raising	\$ 1,274,850	\$ 1,173,587	\$ 4,921	\$ 94,999	\$ 1,279,771	\$ 1,268,586
Cash paid to employees and suppliers	(1,170,268)	(1,132,485)	-	-	(1,170,268)	(1,132,485)
Interest received	-	-	-	379	-	379
	104,582	41,102	4,921	95,378	109,503	136,480
Cash flows from financing activity						
Payments on capital lease payable	-	-	(3,364)	(3,330)	(3,364)	(3,330)
Cash flows from investing activities						
Inter-fund transfers	(9,654)	41,081	9,654	(41,081)	-	-
Purchase of property and equipment	-	-	(14,956)	(106,280)	(14,956)	(106,280)
Payments toward Transitional Housing	-	-	-	(9,874)	-	(9,874)
	(9,654)	41,081	(5,302)	(157,235)	(14,956)	(116,154)
Change in cash during the year	94,928	82,183	(3,745)	(65,187)	91,183	16,996
Cash - at beginning of year	143,330	61,147	4,839	70,026	148,169	131,173
Cash - at end of year	238,258	143,330	1,094	4,839	239,352	148,169
Cash equivalents is represented by:						
Cash	238,258	143,330	1,094	4,839	239,352	148,169
	\$ 238,258	\$ 143,330	\$ 1,094	\$ 4,839	\$ 239,352	\$ 148,169

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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, 2003

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>2003</i>	<i>2002</i>
Building	\$ 2,564,648	\$ 659,690	\$ 1,904,958	\$ 1,967,418
Office furniture	184,691	150,048	34,643	41,151
Computer equipment	33,790	26,053	7,737	3,546
Computer software	8,229	6,100	2,129	853
Equipment under capital lease	20,516	17,097	3,419	7,149
	<u>\$ 2,811,874</u>	<u>\$ 858,988</u>	<u>\$ 1,952,886</u>	<u>\$ 2,020,117</u>

4. LINE OF CREDIT

The Shelter has arranged a flexible line of credit in the amount of \$265,000 through a financial institution. This line of credit is to be secured by a general security agreement covering the Shelter's receivables and a first mortgage for \$265,000 on the Shelter's building. In addition, there are various covenants specified in the credit facility agreement which must be met.

As at December 31, 2003 the Shelter had not availed itself of any portion of this credit facility.

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

5. 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:

	2003	2002
Balance - at beginning of year	\$ 26,020	\$ 28,056
Amounts received during the year:		
City of Toronto Homeless Initiatives Fund Project	50,000	20,000
United Way Winter Relief	15,000	15,000
Ontario Trillium Foundation	65,000	-
Redirection of Emergency Hostel Funding	111,584	113,148
Ontario Works	-	2,103
Other	4,878	1,020
	272,482	179,327
Less amount recognized as revenue during the year:		
City of Toronto Homeless Initiatives Fund Project	35,000	23,056
United Way Winter Relief	15,000	15,000
Ontario Trillium Foundation	26,311	-
Redirection of Emergency Hostel Funding	111,584	113,148
Ontario Works	-	2,103
Other	5,878	-
	193,773	153,307
Balance - at end of year	\$ 78,709	\$ 26,020

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.

6. 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:	
2004	\$ 4,760
	4,760
Less amount representing interest at 18%	1,753
	3,007
Current portion	3,007
	\$ -

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

7. FUND-RAISING

	Revenues	Expenses	Net Revenue	
			2003	2002
Bingo	\$ 646	\$ -	\$ 646	\$ -
Nevada	21,829	10,143	11,686	2,908
Other	3,279	1,413	1,866	(52)
	<u>\$ 25,754</u>	<u>\$ 11,556</u>	<u>\$ 14,198</u>	<u>\$ 2,856</u>

8. INTER-FUND TRANSFERS

During the year, the Board of Directors approved transfers totalling \$(9,654) from the operating fund to the capital fund (\$41,081 in 2002 to the operating fund from the capital fund).

9. 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) Homeplate Transitional and Social Housing

The Shelter is investigating a project to provide transitional and social housing. This project will not proceed until financing has been arranged. Costs of \$9,874 had been incurred as at December 31, 2003.

10. 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.

Management estimates that the fair market value of these financial instruments approximates their carrying values.

11. PAY EQUITY

The Shelter has an obligation to pay \$238,640 including estimated benefits in order to comply with provincial pay equity legislation. Arrangements have been made to fund this obligation (see note 4).