

**SECOND BASE (SCARBOROUGH)  
YOUTH SHELTER  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004**

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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, 2004 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, 2004 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. In accordance with the Corporation Act (Ontario), we report that these principles have been applied on a basis consistent with that of the preceding year.

*Clarke Henning LLP*  
CHARTERED ACCOUNTANTS

Toronto, Ontario  
February 8, 2005



# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## BALANCE SHEET

AS AT DECEMBER 31, 2004

	Operating Fund		Capital Fund		Total	
	2004	2003	2004	2003	2004	2003
<b>ASSETS</b>						
Current assets						
Cash	\$ 14,309	\$ 238,258	\$ 13	\$ 1,094	\$ 14,322	\$ 239,352
Accounts receivable						
City of Toronto Shelter, Housing and Support Division	58,084	89,562	-	-	58,084	89,562
Other	17,627	12,737	-	-	17,627	12,737
Prepaid expenses	27,779	15,405	-	-	27,779	15,405
	117,799	355,962	13	1,094	117,812	357,056
Property and equipment (note 3)	-	-	1,900,401	1,952,886	1,900,401	1,952,886
Home Plate transitional and social housing (note 8b)	-	-	17,388	-	17,388	-
	117,799	355,962	1,917,802	1,953,980	2,035,601	2,309,942
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities						
Accounts payable and accrued liabilities	66,134	87,332	10,099	-	76,233	87,332
Pay equity (note 11)	-	238,640	-	-	-	238,640
Line of credit (note 4)	116,292	-	-	-	116,292	-
Current portion of capital lease	-	-	-	3,007	-	3,007
	182,426	325,972	10,099	3,007	192,525	328,979
Deferred contributions (note 5)	18,000	78,709	110,255	90,856	128,255	169,565
CMHC loan payable (note 8b)	-	-	10,000	-	10,000	-
	200,426	404,681	130,354	93,863	330,780	498,544
Net assets						
Fund balance	(82,627)	(48,719)	1,787,448	1,860,117	1,704,821	1,811,398
	\$ 117,799	\$ 355,962	\$ 1,917,802	\$ 1,953,980	\$ 2,035,601	\$ 2,309,942

Approved on behalf of the Board:

Michael McCarthy, President

Ashley Beales, Treasurer

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

YEAR ENDED DECEMBER 31, 2004

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Fees - City of Toronto Shelter, Housing and Support Division	\$ 775,246	\$ 918,510	\$ -	\$ -	\$ 775,246	\$ 918,510
<b>Donations</b>						
Donations-in-kind	13,146	18,951	-	-	13,146	18,951
Other	35,052	23,599	-	-	35,052	23,599
Membership United Way	90,000	70,000	-	-	90,000	70,000
Grants (note 5)	216,779	193,773	-	-	216,779	193,773
Fund-raising, net (note 6)	7,813	14,198	-	-	7,813	14,198
	<b>1,138,036</b>	<b>1,239,031</b>	<b>-</b>	<b>-</b>	<b>1,138,036</b>	<b>1,239,031</b>
<b>Expenditures</b>						
Audit	5,507	6,453	-	-	5,507	6,453
Consultants	42,973	21,921	-	-	42,973	21,921
Depreciation	-	-	84,216	82,188	84,216	82,188
Insurance	19,814	18,701	-	-	19,814	18,701
Amortization of deferred contributions	-	-	(7,601)	(4,703)	(7,601)	(4,703)
Office and general	22,147	16,732	-	-	22,147	16,732
<b>Program costs</b>						
- Food	70,896	82,948	-	-	70,896	82,948
- Drop in	1,537	5,316	-	-	1,537	5,316
- TTC resident travel	14,172	29,793	-	-	14,172	29,793
- Other	8,120	3,998	-	-	8,120	3,998
Rent	24,786	24,480	-	-	24,786	24,480
Repairs and maintenance	77,644	89,700	-	-	77,644	89,700
Salaries and benefits	802,458	861,995	-	-	802,458	861,995
Staff development	2,743	3,540	-	-	2,743	3,540
Telephone and cable	7,615	8,414	-	-	7,615	8,414
Utilities	67,586	69,111	-	-	67,586	69,111
Transitional housing	-	-	-	9,874	-	9,874
	<b>1,167,998</b>	<b>1,243,102</b>	<b>76,615</b>	<b>87,359</b>	<b>1,244,613</b>	<b>1,330,461</b>
Deficiency of revenues over expenditures for the year	<b>(29,962)</b>	<b>(4,071)</b>	<b>(76,615)</b>	<b>(87,359)</b>	<b>(106,577)</b>	<b>(91,430)</b>
Inter-fund transfers (note 7)	<b>(3,946)</b>	<b>(9,654)</b>	<b>3,946</b>	<b>9,654</b>	<b>-</b>	<b>-</b>
Net assets - at beginning of year	<b>(48,719)</b>	<b>(34,994)</b>	<b>1,860,117</b>	<b>1,937,822</b>	<b>1,811,398</b>	<b>1,902,828</b>
Net assets - at end of year	<b>\$ (82,627)</b>	<b>\$ (48,719)</b>	<b>\$ 1,787,448</b>	<b>\$ 1,860,117</b>	<b>\$ 1,704,821</b>	<b>\$ 1,811,398</b>

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Cash flows from operating activities						
Cash received from grants, donations and fund-raising	\$ 1,090,768	\$ 1,274,850	\$ 27,000	\$ 4,921	\$ 1,117,768	\$ 1,279,771
Cash paid to employees and suppliers	(1,421,050)	(1,170,268)	-	-	(1,421,050)	(1,170,268)
Interest paid	(6,013)	-	-	-	(6,013)	-
	<b>(336,295)</b>	<b>104,582</b>	<b>27,000</b>	<b>4,921</b>	<b>(309,295)</b>	<b>109,503</b>
Cash flows from financing activity						
Payments on capital lease payable	-	-	(3,007)	(3,364)	(3,007)	(3,364)
Line of credit	116,292	-	-	-	116,292	-
Loan from Canada Mortgage and Housing Corporation	-	-	10,000	-	10,000	-
	<b>116,292</b>	<b>-</b>	<b>6,993</b>	<b>(3,364)</b>	<b>123,285</b>	<b>(3,364)</b>
Cash flows from investing activities						
Inter-fund transfers	(3,946)	(9,654)	3,946	9,654	-	-
Purchase of property and equipment	-	-	(30,607)	(14,956)	(30,607)	(14,956)
Payments toward transitional and social housing	-	-	(8,413)	-	(8,413)	-
	<b>(3,946)</b>	<b>(9,654)</b>	<b>(35,074)</b>	<b>(5,302)</b>	<b>(39,020)</b>	<b>(14,956)</b>
Change in cash during the year	<b>(223,949)</b>	<b>94,928</b>	<b>(1,081)</b>	<b>(3,745)</b>	<b>(225,030)</b>	<b>91,183</b>
Cash - at beginning of year	238,258	143,330	1,094	4,839	239,352	148,169
Cash - at end of year	\$ 14,309	\$ 238,258	\$ 13	\$ 1,094	\$ 14,322	\$ 239,352

# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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### 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 activities.

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 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.

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, 2004

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### 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>2004</i>	<i>2003</i>
Building	\$ 2,564,648	\$ 727,208	\$ 1,837,440	\$ 1,904,958
Office furniture	197,643	142,622	55,021	34,643
Computer equipment	34,092	28,420	5,672	7,737
Computer software	8,229	6,739	1,490	2,129
Equipment under capital lease	21,605	20,827	778	3,419
	<b>\$ 2,826,217</b>	<b>\$ 925,816</b>	<b>\$ 1,900,401</b>	<b>\$ 1,952,886</b>

### 4. LINE OF CREDIT

The Shelter has arranged a flexible line of credit in the amount of \$265,000. This line of credit is secured by a general security agreement covering the Shelter's receivables and a first mortgage for \$265,000 on the Shelter's building. The interest rate is variable, calculated at the lender's prime rate plus 2.00%. The line of credit is revolving, with interest only, payable monthly. In addition, there are various covenants specified in the credit facility agreement which must be met.

As at December 31, 2004 the Shelter had drawn a total of \$116,292 under this credit facility.

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

#### 5. DEFERRED CONTRIBUTIONS

##### *Operating Contributions*

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

	2004	2003
Balance - at beginning of year	\$ 78,709	\$ 26,020
Amounts received during the year:		
City of Toronto Homeless Initiatives Fund Project	21,286	50,000
United Way Winter Relief	12,000	15,000
Ontario Trillium Foundation	-	65,000
Redirection of Emergency Hostel Funding	111,584	111,584
Ontario Works	2,190	-
Other	9,010	4,878
	234,779	272,482
Less amount recognized as revenue during the year:		
City of Toronto Homeless Initiatives Fund Project	41,286	35,000
United Way Winter Relief	14,000	15,000
Ontario Trillium Foundation	38,709	26,311
Redirection of Emergency Hostel Funding	111,584	111,584
Ontario Works	2,190	-
Other	9,010	5,878
	216,779	193,773
Balance - at end of year	\$ 18,000	\$ 78,709

##### *Capital Contributions*

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

#### 6. FUND-RAISING

	Revenues	Expenses	Net Revenue	
			2004	2003
Bingo	\$ -	\$ -	\$ -	\$ 646
Nevada	15,492	9,037	6,455	11,686
Other	1,575	217	1,358	1,866
	\$ 17,067	\$ 9,254	\$ 7,813	\$ 14,198

# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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### 7. INTER-FUND TRANSFERS

During the year, the Board of Directors approved transfers totalling \$3,946 from the operating fund to the capital fund (\$9,654 in 2003 from the operating fund to the capital fund).

### 8. COMMITMENTS

#### (a) Lease Commitment

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

#### (b) Home Plate Transitional and Social Housing

The Shelter is investigating a project to construct and provide transitional and social housing. During the year the Shelter received an interest free loan of \$10,000 for transitional and social housing from Canada Mortgage and Housing Corporation (CMHC). CMHC has approved a maximum loan of \$50,000. The loan may be partially or wholly forgiven, at CMHC's sole discretion, if certain conditions are met as specified in the loan agreement.

The costs incurred for transitional and social housing during 2004 were \$17,388.

### 9. FINANCIAL INSTRUMENTS

The Shelter's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, line of credit and CMHC loan 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.

### 10. INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Shelter has indemnified its past, present and future directors, officers and employees and volunteers against expenses (including legal expenses), judgments, suit or proceedings in which they are sued as a result of their involvement with the Shelter, if they acted honestly and in good faith with a view to the best interest of the Shelter. The Shelter has purchased directors' and officers' liability insurance with respect to this indemnification. The maximum amount of any potential future payment cannot be reasonably estimated.

### 11. PAY EQUITY

During the year, the Shelter paid \$238,640 to discharge its liability for pay equity accrued in previous years.