

**SECOND BASE (SCARBOROUGH)  
YOUTH SHELTER  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005**

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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, 2005 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, 2005 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  
March 22, 2006

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### BALANCE SHEET

AS AT DECEMBER 31, 2005

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
<b>ASSETS</b>						
Current assets						
Cash	\$ 20,421	\$ 14,309	\$ -	\$ 13	\$ 20,421	\$ 14,322
Accounts receivable						
City of Toronto Shelter, Housing and Support Division	105,747	58,084	-	-	105,747	58,084
Other	20,084	17,627	-	-	20,084	17,627
Prepaid expenses	19,444	27,779	-	-	19,444	27,779
	<b>165,696</b>	<b>117,799</b>	<b>-</b>	<b>13</b>	<b>165,696</b>	<b>117,812</b>
Property and equipment ( <i>note 4</i> )	-	-	1,827,015	1,900,401	1,827,015	1,900,401
Home Plate transitional and social housing ( <i>note 9b</i> )	-	-	17,388	17,388	17,388	17,388
	<b>165,696</b>	<b>117,799</b>	<b>1,844,403</b>	<b>1,917,802</b>	<b>2,010,099</b>	<b>2,035,601</b>
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities						
Accounts payable and accrued liabilities	145,219	66,134	-	10,099	145,219	76,233
Line of credit ( <i>note 5</i> )	-	116,292	-	-	-	116,292
	<b>145,219</b>	<b>182,426</b>	<b>-</b>	<b>10,099</b>	<b>145,219</b>	<b>192,525</b>
Deferred contributions ( <i>note 6</i> )	68,455	18,000	174,263	110,255	242,718	128,255
CMHC loan payable ( <i>note 9b</i> )	-	-	10,000	10,000	10,000	10,000
	<b>213,674</b>	<b>200,426</b>	<b>184,263</b>	<b>130,354</b>	<b>397,937</b>	<b>330,780</b>
Net assets						
Fund balance	(47,978)	(82,627)	1,660,140	1,787,448	1,612,162	1,704,821
	<b>\$ 165,696</b>	<b>\$ 117,799</b>	<b>\$ 1,844,403</b>	<b>\$ 1,917,802</b>	<b>\$ 2,010,099</b>	<b>\$ 2,035,601</b>

Approved on behalf of the Board:

Virginia Gibberd, President

Tom Savage, Treasurer

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

YEAR ENDED DECEMBER 31, 2005

	Operating Fund		Capital Fund		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Fees - City of Toronto Shelter, Housing and Support Division	\$ 823,766	\$ 775,246	\$ -	\$ -	\$ 823,766	\$ 775,246
<b>Donations</b>						
Donations-in-kind	10,189	13,146	-	-	10,189	13,146
Other	32,552	35,052	-	-	32,552	35,052
United Way Allocation	70,000	90,000	-	-	70,000	90,000
Grants (note 6)	234,999	216,779	-	-	234,999	216,779
Fund-raising, net (note 7)	15,693	7,813	-	-	15,693	7,813
Interest	466	-	-	-	466	-
	<b>1,187,665</b>	<b>1,138,036</b>	<b>-</b>	<b>-</b>	<b>1,187,665</b>	<b>1,138,036</b>
<b>Expenditures</b>						
Audit	14,413	5,507	-	-	14,413	5,507
Consultants	21,373	42,973	-	-	21,373	42,973
Depreciation	-	-	82,525	84,216	82,525	84,216
Insurance	24,145	19,814	-	-	24,145	19,814
Amortization of deferred contributions	-	-	(10,494)	(7,601)	(10,494)	(7,601)
Office and general	16,718	16,134	-	-	16,718	16,134
Interest and bank charges	10,400	6,013	-	-	10,400	6,013
<b>Program costs</b>						
- Food	57,534	70,896	-	-	57,534	70,896
- Drop in	6,081	1,537	-	-	6,081	1,537
- TTC resident travel	18,739	14,172	-	-	18,739	14,172
- Other	3,570	8,120	-	-	3,570	8,120
Rent	25,214	24,786	-	-	25,214	24,786
Repairs and maintenance	80,700	77,644	-	-	80,700	77,644
Salaries and benefits	843,591	802,458	-	-	843,591	802,458
Staff development	1,819	2,743	-	-	1,819	2,743
Telephone and cable	6,967	7,615	-	-	6,967	7,615
Utilities	77,029	67,586	-	-	77,029	67,586
	<b>1,208,293</b>	<b>1,167,998</b>	<b>72,031</b>	<b>76,615</b>	<b>1,280,324</b>	<b>1,244,613</b>
Deficiency of revenues over expenditures for the year	(20,628)	(29,962)	(72,031)	(76,615)	(92,659)	(106,577)
Inter-fund transfers (note 8)	55,277	(3,946)	(55,277)	3,946	-	-
Net assets (deficit) - at beginning of year	(82,627)	(48,719)	1,787,448	1,860,117	1,704,821	1,811,398
Net assets(deficit) - at end of year	\$ (47,978)	\$ (82,627)	\$ 1,660,140	\$ 1,787,448	\$ 1,612,162	\$ 1,704,821

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2005

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Cash flows from operating activities						
Cash received from grants, donations and fund-raising	\$ 1,177,661	\$ 1,090,768	\$ 74,502	\$ 27,000	\$ 1,252,163	\$ 1,117,768
Cash paid to employees and suppliers	(1,100,134)	(1,421,050)	(10,099)	-	(1,110,233)	(1,421,050)
Interest paid	(10,400)	(6,013)	-	-	(10,400)	(6,013)
	<b>67,127</b>	<b>(336,295)</b>	<b>64,403</b>	<b>27,000</b>	<b>131,530</b>	<b>(309,295)</b>
Cash flows from financing activity						
Payments on capital lease payable	-	-	-	(3,007)	-	(3,007)
Proceeds/payments from/to line of credit	(116,292)	116,292	-	-	(116,292)	116,292
Loan from Canada Mortgage and Housing Corporation	-	-	-	10,000	-	10,000
	<b>(116,292)</b>	<b>116,292</b>	<b>-</b>	<b>6,993</b>	<b>(116,292)</b>	<b>123,285</b>
Cash flows from investing activities						
Inter-fund transfers	55,277	(3,946)	(55,277)	3,946	-	-
Purchase of property and equipment	-	-	(9,139)	(30,607)	(9,139)	(30,607)
Payments toward transitional and social housing	-	-	-	(8,413)	-	(8,413)
	<b>55,277</b>	<b>(3,946)</b>	<b>(64,416)</b>	<b>(35,074)</b>	<b>(9,139)</b>	<b>(39,020)</b>
Change in cash during the year	<b>6,112</b>	<b>(223,949)</b>	<b>(13)</b>	<b>(1,081)</b>	<b>6,099</b>	<b>(225,030)</b>
Cash - at beginning of year	<b>14,309</b>	<b>238,258</b>	<b>13</b>	<b>1,094</b>	<b>14,322</b>	<b>239,352</b>
Cash - at end of year	<b>\$ 20,421</b>	<b>\$ 14,309</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ 20,421</b>	<b>\$ 14,322</b>

# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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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. GOING CONCERN

The Shelter's financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Shelter will be able to realize its assets and liabilities in the normal course of business as a going concern.

The Shelter's Board of Directors, at the meeting held on June 9, 2005, resolved that the Shelter is no longer financially viable under the current operating model and directed the management to seek additional funding from the City and to explore options to merge with similar organizations or to cease operations. The city has since increased the funding.

The Shelter depends on the continued support of the City of Toronto, other donors and funders.

### 3. 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*

##### *Contributions*

Shelter follows the deferral method of accounting for contributions which include donations, grants and other contributions.

# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to future period, it is deferred and recognized in that subsequent period.

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

#### 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.

#### 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.

#### 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### 4. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			2005	2004
Building	\$ 2,573,787	\$ 795,802	\$ 1,777,985	\$ 1,837,440
Office furniture	197,643	153,626	44,017	55,021
Computer equipment	34,091	30,121	3,970	5,672
Computer software	8,229	7,186	1,043	1,490
Equipment under capital lease	21,605	21,605	-	778
	<b>\$ 2,835,355</b>	<b>\$ 1,008,340</b>	<b>\$ 1,827,015</b>	<b>\$ 1,900,401</b>

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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#### 5. 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, 2005 the Shelter did not have any outstanding amount under this credit facility (\$116,292 in 2004).

#### 6. 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:

	2005	2004
Balance - at beginning of year	\$ 18,000	\$ 78,709
Amounts received during the year:		
City of Toronto - Homeless Initiatives Fund Project	31,313	21,286
United Way Winter Relief	15,000	12,000
United Way - other	30,700	-
City of Toronto - Capacity Enhancement grant	14,650	-
City of Toronto - Agency Stabilization Fund	30,000	-
Paloma Foundation	25,000	-
Redirection of Emergency Hostel Funding	111,584	111,584
Other	27,207	11,200
	<b>303,454</b>	<b>234,779</b>
Less amount recognized as revenue during the year:		
City of Toronto - Homeless Initiatives Fund Project	41,313	41,286
City of Toronto - Agency Stabilization Fund	21,895	-
United Way Winter Relief	13,000	14,000
United Way - other	22,500	-
Paloma Foundation	2,500	-
Ontario Trillium Foundation	-	38,709
Redirection of Emergency Hostel Funding	111,584	111,584
Other	22,207	11,200
	<b>234,999</b>	<b>216,779</b>
Balance - at end of year	<b>\$ 68,455</b>	<b>\$ 18,000</b>

## SECOND BASE (SCARBOROUGH) YOUTH SHELTER

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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#### 7. FUND-RAISING

	Revenues	Expenses	Net Revenue	
			2005	2004
Bingo	\$ -	\$ -	\$ -	\$ -
Nevada	12,762	7,100	5,662	6,455
Other	11,714	1,683	10,031	1,358
	<u>\$ 24,476</u>	<u>\$ 8,783</u>	<u>\$ 15,693</u>	<u>\$ 7,813</u>

#### 8. INTER-FUND TRANSFERS

During the year, the Board of Directors approved transfers totalling \$(55,277) from the capital fund to the operating fund (\$3,946 in 2004 from the operating fund to the capital fund).

#### 9. COMMITMENTS

##### (a) Lease Commitment

The Shelter is obligated for the rental of land under an operating lease, until 2032 at \$25,214 per annum.

In addition, the Shelter is committed to future lease payments for its equipment up to June, 2011. The minimum annual payment of \$3,900 is payable for the next five years.

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

The Shelter is investigating a project to construct and provide transitional and social housing. Canada Mortgage and Housing Corporation (CMHC) approved a maximum loan of \$50,000 and gave \$10,000 in the year 2004 as an interest free loan for transitional and social housing. 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 2005 were \$NIL (\$17,388 in 2004).

#### 10. 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.

# SECOND BASE (SCARBOROUGH) YOUTH SHELTER

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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### *11. GUARANTEES AND INDEMNIFICATION*

The Shelter has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceedings, subject to certain restrictions. The nature of the indemnity prevents the Shelter from reasonably estimating the maximum exposure. The Shelter has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions.

In the normal course of business, the Shelter has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, leasing agreements or sales and purchase contracts. In these agreements, the Shelter agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Shelter. The maximum amount of any potential liability cannot be reasonably estimated.

### *12. COMPARATIVE FIGURES*

Certain 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.