

**SECOND BASE (SCARBOROUGH)
YOUTH SHELTER
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

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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, 2006 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, 2006 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.


CHARTERED ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
March 21, 2007

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

BALANCE SHEET

AS AT DECEMBER 31, 2006

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
ASSETS						
Current assets						
Cash	\$ 44,006	\$ 20,421	\$ 5	\$ -	\$ 44,011	\$ 20,421
Accounts receivable						
City of Toronto Shelter, Housing and Support Division	89,548	105,747	-	-	89,548	105,747
Other	17,980	20,084	-	-	17,980	20,084
Prepaid expenses	15,152	19,444	-	-	15,152	19,444
	166,686	165,696	5	-	166,691	165,696
Property and equipment (<i>note 4</i>)	-	-	1,817,784	1,827,015	1,817,784	1,827,015
Home Plate transitional and social housing (<i>note 9b</i>)	-	-	17,388	17,388	17,388	17,388
	166,686	165,696	1,835,177	1,844,403	2,001,863	2,010,099
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	135,724	145,219	-	-	135,724	145,219
Line of credit (<i>note 5</i>)	142,680	-	-	-	142,680	-
	278,404	145,219	-	-	278,404	145,219
Deferred contributions (<i>note 6</i>)	18,000	68,455	154,291	174,263	172,291	242,718
CMHC loan payable (<i>note 9b</i>)	-	-	10,000	10,000	10,000	10,000
	296,404	213,674	164,291	184,263	460,695	397,937
Net assets						
Fund balance	(129,718)	(47,978)	1,670,886	1,660,140	1,541,168	1,612,162
	\$ 166,686	\$ 165,696	\$ 1,835,177	\$ 1,844,403	\$ 2,001,863	\$ 2,010,099

Approved on behalf of the Board:

Virginia Gibberd, President

Michael McCarthy, Treasurer

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

YEAR ENDED DECEMBER 31, 2006

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	2006	2005	2006	2005	2006	2005
Revenues						
Fees - City of Toronto Shelter, Housing and Support Division	\$ 836,932	\$ 823,766	\$ -	\$ -	\$ 836,932	\$ 823,766
Donations						
Donations-in-kind	16,333	10,189	-	-	16,333	10,189
Other	51,084	32,552	-	-	51,084	32,552
United Way Allocation	120,912	70,000	-	-	120,912	70,000
Grants (note 6)	281,779	234,999	-	-	281,779	234,999
Fund-raising (note 7)	25,039	24,476	-	-	25,039	24,476
Interest	-	466	-	-	-	466
	1,332,079	1,196,448	-	-	1,332,079	1,196,448
Expenditures						
Audit	6,906	14,413	-	-	6,906	14,413
Consultants	46,730	21,373	-	-	46,730	21,373
Depreciation	-	-	86,496	82,525	86,496	82,525
Insurance	23,301	24,145	-	-	23,301	24,145
Amortization of deferred contributions	-	-	(14,089)	(10,494)	(14,089)	(10,494)
Office and general	15,520	16,718	-	-	15,520	16,718
Fund raising (note 7)	9,504	8,783	-	-	9,504	8,783
Interest and bank charges	4,813	10,400	-	-	4,813	10,400
Program costs						
- Food	72,418	57,534	-	-	72,418	57,534
- Drop in	5,866	6,081	-	-	5,866	6,081
- TTC resident travel	20,058	18,739	-	-	20,058	18,739
- Other	13,893	3,570	-	-	13,893	3,570
Rent	25,214	25,214	-	-	25,214	25,214
Repairs and maintenance	145,095	80,700	-	-	145,095	80,700
Salaries and benefits	850,440	843,591	-	-	850,440	843,591
Staff development	12,164	1,819	-	-	12,164	1,819
Telephone and cable	7,122	6,967	-	-	7,122	6,967
Utilities	71,622	77,029	-	-	71,622	77,029
	1,330,666	1,217,076	72,407	72,031	1,403,073	1,289,107
Excess (deficiency) of revenues over expenditures for the year	1,413	(20,628)	(72,407)	(72,031)	(70,994)	(92,659)
Inter-fund transfers (note 8)	(83,153)	55,277	83,153	(55,277)	-	-
Net assets (deficit) - at beginning of year	(47,978)	(82,627)	1,660,140	1,787,448	1,612,162	1,704,821
Net assets(deficit) - at end of year	\$ (129,718)	\$ (47,978)	\$ 1,670,886	\$ 1,660,140	\$ 1,541,168	\$ 1,612,162

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Cash flows from operating activities						
Cash received from grants, donations and fund-raising	\$ 1,252,803	\$ 1,177,661	\$ 15,400	\$ 74,502	\$ 1,268,203	\$ 1,252,163
Cash paid to employees and suppliers	(1,305,218)	(1,100,134)	-	(10,099)	(1,305,218)	(1,110,233)
Interest paid	(4,813)	(10,400)	-	-	(4,813)	(10,400)
	(57,228)	67,127	15,400	64,403	(41,828)	131,530
Cash flows from financing activity						
Proceeds/payments from/to line of credit	142,680	(116,292)	-	-	142,680	(116,292)
	142,680	(116,292)	-	-	142,680	(116,292)
Cash flows from investing activities						
Inter-fund transfers	(83,153)	55,277	83,153	(55,277)	-	-
Transfer for amount spent on repairs and maintenance	21,286	-	(21,286)	-	-	-
Purchase of property and equipment	-	-	(77,267)	(9,139)	(77,267)	(9,139)
	(61,867)	55,277	(15,400)	(64,416)	(77,267)	(9,139)
Change in cash during the year	23,585	6,112	-	(13)	23,585	6,099
Cash - at beginning of year	20,421	14,309	-	13	20,421	14,322
Cash - at end of year	\$ 44,006	\$ 20,421	\$ -	\$ -	\$ 44,006	\$ 20,421

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 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

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

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.

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Donations

Donations are recorded when received.

Other Revenue

All other revenues are recognized when the income is earned.

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:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	
			<i>2006</i>	<i>2005</i>
Building	\$ 2,584,751	\$ 864,829	\$ 1,719,922	\$ 1,777,985
Office furniture	253,309	167,996	85,313	44,017
Computer equipment	43,220	32,682	10,538	3,970
Computer software	9,736	7,725	2,011	1,043
Equipment under capital lease	21,605	21,605	-	-
	<u>\$ 2,912,621</u>	<u>\$ 1,094,837</u>	<u>\$ 1,817,784</u>	<u>\$ 1,827,015</u>

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006 the outstanding amount under this credit facility was \$142,680 (\$NIL in 2005).

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:

	2006	2005
Balance - at beginning of year	\$ 68,455	\$ 18,000
Amounts received during the year:		
City of Toronto - Homeless Initiatives Fund Project	40,906	31,313
United Way Winter Relief	5,000	15,000
United Way - other	25,000	30,700
City of Toronto - Capacity Enhancement grant	-	14,650
City of Toronto - Agency Stabilization Fund	-	30,000
Paloma Foundation	9,600	25,000
Redirection of Emergency Hostel Funding	111,584	111,584
Other	17,948	27,207
	278,493	303,454
Less amount recognized as revenue during the year:		
City of Toronto - Homeless Initiatives Fund Project	40,906	41,313
City of Toronto - Agency Stabilization Fund	8,105	21,895
City of Toronto - Supporting Communities Partnership initiative	21,286	-
United Way Winter Relief	15,000	13,000
United Way - other	33,200	22,500
Paloma Foundation	22,100	2,500
City of Toronto - Capacity Enhancement grant	14,650	-
Redirection of Emergency Hostel Funding	111,584	111,584
Other	14,948	22,207
	281,779	234,999
	(3,286)	68,455
Transfer from deferred capital contributions for amount spent on repairs and maintenance	21,286	-
Balance - at end of year	\$ 18,000	\$ 68,455

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

6. DEFERRED CONTRIBUTIONS (continued)

Capital Contributions

Deferred capital contributions represent grants to help fund property and equipment acquisitions. Changes in the deferred capital contributions are as follows:

	2006	2005
Balance - at beginning of year	\$ 174,266	\$ 110,255
Received during the year	15,400	74,502
Amortization for the year	189,666	184,757
Transfer to deferred operating contributions for amount spent on repairs and maintenance	14,089	10,494
	175,577	174,263
Balance - at end of year	\$ 21,286	-
	\$ 154,291	\$ 174,263

7. FUND-RAISING

	Revenues	Expenses	Net Revenue	
			2006	2005
Nevada	\$ 6,381	\$ 5,863	\$ 518	\$ 5,662
Other	18,658	3,641	15,017	10,031
	\$ 25,039	\$ 9,504	\$ 15,535	\$ 15,693

8. INTER-FUND TRANSFERS

During the year, the Board of Directors approved transfers totalling \$83,153 from the operating fund to the capital fund (\$55,277 in 2005 from the capital fund to the operating 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 payable for the next five years as are follows:

2007	\$ 3,900
2008	3,900
2009	3,900
2010	3,900
2011	1,000

SECOND BASE (SCARBOROUGH) YOUTH SHELTER

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

9. COMMITMENTS (continued)

(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 prior to 2005 were \$17,388.

10. FINANCIAL INSTRUMENTS

The Shelter's financial instruments consist of cash, accounts receivable, accounts payable and 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.

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 2005 comparative figures have been reclassified to conform with the statement presentation adopted for the current year.