



MEYERS NORRIS PENNY LLP

**Hornby Island Residents' & Ratepayers'  
Association  
Financial Statements**  
*December 31, 2007*

# Hornby Island Residents' & Ratepayers' Association

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*For the year ended December 31, 2007*

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To the Directors of Hornby Island Residents' & Ratepayers' Association:

We have audited the balance sheet of Hornby Island Residents' & Ratepayers' Association as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society'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.

The completeness of the donations and fundraising revenue is not susceptible to satisfactory audit verification. Accordingly, our verification of donations and fundraising was limited to a comparison of recorded receipts with bank deposits and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses 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 cash receipts referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Campbell River, British Columbia

February 29, 2008

*Meyers Norris Penny LLP*

Chartered Accountants

# Hornby Island Residents' & Ratepayers' Association

## Balance Sheet

As at December 31, 2007

	2007	2006	
<b>Assets</b>			
<b>Current</b>			
Cash	56,146	41,759	
Term deposits	23,194	22,596	
Accounts receivable	23,381	32,313	
Deposit	6,930	-	
	<b>109,651</b>	<b>96,668</b>	
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness	10,657	19,422	
Accounts payable and accruals	26,548	12,590	
Deferred revenue	675	135	
	<b>37,880</b>	<b>32,147</b>	
<b>Net Assets</b>			
Unrestricted net assets	71,771	64,521	
	<b>109,651</b>	<b>96,668</b>	
<b>Approved on behalf of the Board</b>			
_____	Director	_____	Director

The accompanying notes are an integral part of these financial statements

# Hornby Island Residents' & Ratepayers' Association

## Statement of Operations

For the year ended December 31, 2007

	2007	2006
<b>Revenue</b>		
Funding		
Regional district capital	46,556	23,368
Regional district operations	247,392	217,550
Regional district	47,791	52,245
Parks contract	13,565	4,646
Registration fees	11,365	10,123
Refundable sales	12,629	11,740
Rental	25,407	26,133
Miscellaneous	2,523	2,496
Other	2,172	1,377
Donations and fundraising	4,866	22,122
T-Shirt, DVD sales	1,746	3,776
Tipping fees	55,026	51,207
	<b>471,038</b>	<b>426,783</b>
<b>Expenses</b>		
Advertising and promotion	6,415	6,296
Capital assets	27,378	10,199
Conferences	1,601	4,674
Contract work	19,097	15,928
Equipment rental	-	1,159
Freight	31,203	28,413
Fuel	2,441	3,930
Insurance	14,891	12,620
Miscellaneous	6,501	7,936
Office	11,653	13,196
Professional fees	20,188	17,350
Promotions and discounts	6,054	2,021
Repairs and maintenance	72,103	59,164
Salaries, wages and benefits	161,759	146,266
Supplies	8,823	5,874
Training and education	14,519	18,331
Utilities	6,162	8,555
Workers' compensation	1,544	1,523
Community grants	-	6,100
Other (Note 6)	15,655	9,957
Volunteer fund	10,500	3,000
Tipping fees	25,301	27,194
	<b>463,788</b>	<b>409,686</b>
<b>Excess of revenue over expenses</b>	<b>7,250</b>	<b>17,097</b>

The accompanying notes are an integral part of these financial statements

**Hornby Island Residents' & Ratepayers' Association**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2007*

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	<i>2007</i>	<i>2006</i>
Net assets, beginning of year	64,521	47,424
Comprehensive income	-	-
Excess of revenue over expenses	7,250	17,097
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Net assets, end of year	71,771	64,521

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*The accompanying notes are an integral part of these financial statements*

# Hornby Island Residents' & Ratepayers' Association

## Statement of Cash Flows

For the year ended December 31, 2007

	2007	2006
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received	479,902	415,709
Cash paid to suppliers	(294,393)	(259,931)
Cash paid to employees	(161,759)	(146,266)
<b>Increase in cash resources</b>	<b>23,750</b>	<b>9,512</b>
<b>Cash resources, beginning of year</b>	<b>44,933</b>	<b>35,421</b>
<b>Cash resources, end of year</b>	<b>68,683</b>	<b>44,933</b>
<b>Cash resources are composed of:</b>		
Cash	56,146	41,759
Term deposits	23,194	22,596
Bank indebtedness	(10,657)	(19,422)
	<b>68,683</b>	<b>44,933</b>

The accompanying notes are an integral part of these financial statements

# Hornby Island Residents' & Ratepayers' Association

## Notes to the Financial Statements

For the year ended December 31, 2007

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### 1. Purpose

The Hornby Island Residents' & Ratepayers' Association ("HIRRA") is a non-profit society registered in the province of BC since 1973. Through this association the HIRRA have an opportunity to be self-governing. HIRRA administers Hornby Island tax dollars and membership is open to residents and property owners of the island. HIRRA's principle functions are guided by a published vision statement, constitution and bylaws, policies and management contracts with the Comox Strathcona Regional District ("CSRD"). Through contracts held with the CSRD the HIRRA administers the following tax funded local services: fire protection, recycling programs, operating and maintaining the community hall, maintaining comfort stations at beach accesses, organizing recreational activities and stewarding Mount Geoffrey Regional Nature Park.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

#### *Term deposits*

Term deposits are valued at cost which is equal to market value.

#### *Revenue recognition*

The Society recognizes revenue from contracts held with the CSRD to administer tax funded local services. The Society creates a budget and upon approval receives quarterly funding for the predetermined amount. This revenue is recognized in the period when those services are being performed.

Additional revenue also comes from fundraising events, donations, and building and land rentals. Revenue from fundraising events is recognized when the event has occurred, the amount is reasonable determined and collection is assured. Revenue from donations is recognized when the amount is received. Revenue from rentals is recognized on a monthly basis as those rental services are provided.

#### *Measurement uncertainty (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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability. It is managements' opinion that these amounts will be collected so an allowance for doubtful accounts was not provided for, as it was determined that this was not considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

#### *Property, plant and equipment*

Property, plant and equipment are expensed as is allowed under Canadian generally accepted accounting principles for not for profit societies with revenue less then \$500,000.



# Hornby Island Residents' & Ratepayers' Association

## Notes to the Financial Statements

For the year ended December 31, 2007

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### *Financial instruments*

#### *Held for trading:*

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Society has classified the following financial assets and liabilities as held for trading: cash and term deposits. The Society has designated cash and term deposits on initial recognition as held for trading. These instruments are initially recognized at their fair value, which is equal to their carrying value, due to their short-term nature. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Net gains and losses arising from changes in fair value include interest income and are recognized immediately in income.

#### *Loans and receivables:*

The Society has classified accounts receivable and deposit as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income and transaction costs arising from their disposal are immediately recognized in income.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value include interest income and are recognized in income upon derecognition or impairment.

#### *Other financial liabilities:*

The Society has classified bank indebtedness and accounts payable and accruals as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in transactions between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income while transaction costs arising from their disposal are immediately recognized in income. Total interest expense, if applicable, calculated using the effective interest rate method, is recognized in income.

#### *Liabilities and equity:*

The Society classifies financial instruments based on the substance of the instrument. The corresponding interest, dividends, losses and gains relating to a financial instrument or component that is classified as a financial liability is recorded as income or expense.

#### *Financial asset impairment:*

The Society assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether the creditor is having difficulty, whether there has been a breach of contract, such as default or delinquency in interest or principal payments or whether payments have not been made when due in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in income.

# Hornby Island Residents' & Ratepayers' Association

## Notes to the Financial Statements

For the year ended December 31, 2007

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### 3. Economic dependence

The Society is economically dependent on the CSRD as its primary source of income is from funding received through tax dollars from the CSRD.

### 4. Change in accounting policies

#### *Financial instruments*

Effective January 1, 2007, the Society adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. Although the requirements of CICA 1530 Comprehensive Income are not applicable for not for profit organizations, amendments to CICA 4400 Not For Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. CICA 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3862 Financial Instruments Disclosures and CICA 3863 Financial Instruments Presentation discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

As described in Accounting Policies, Note 2, the Society recognizes its held for trading financial assets and liabilities at their fair value. Prior to this classification, required at the time the Society adopted the Financial Instruments standards, these items were recognized at their historical cost, adjusted for any permanent impairment. The effect of this change in accounting policy in the current period was to reclassify the accrued interest on the term deposits to the term deposit section of the balance sheet, from the accrued interest receivable section. The new requirements were applied prospectively, but for clarity in comparative figures we have reclassified the prior year accrued interest receivable to term deposits.

As described in Accounting Policies, Note 2, the Society's other financial liabilities are recognized at their amortized cost, using the effective interest method. Prior to this classification, these items were recognized at their historical cost, adjusted for any permanent impairment. There was no financial statement effect of this change in accounting policy in the current period.

### 5. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Society are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

#### *Credit concentration*

Financial instruments that potentially subject the Society to concentrations of credit risk consist primarily of accounts receivable and marketable securities. One customer accounted for 59% of the accounts receivable. The risk associated with this credit concentration is mitigated by the customer being a provincial government regional district. The Society manages its credit risk by monitoring and following up on overdue receivables and providing allowances for potentially uncollectible amounts.

The Society's marketable securities are with a major credit union and are insured.

# Hornby Island Residents' & Ratepayers' Association

## Notes to the Financial Statements

For the year ended December 31, 2007

### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through purchasing investments with a relatively short maturity period.

The society is exposed to interest rate risk with respect to the term deposits.

### *Financial asset impairment*

At each year-end date, the Society is required to evaluate and record any other-than-temporary impairment of its financial assets, other than those held classified as held for trading. As the Society does not have any financial assets that are classified as other than held for trading, no impairment tests are performed.

### *Fair value of financial instruments*

The carrying amount of current financial assets and liabilities approximates their fair value due to the short-term maturities of these items.

## 6. Other expenses

	2007	2006
Receiver general	-	144
Service charges	85	57
Crown land lease	515	-
Project - shared lands	-	95
Project - RCMP site	-	520
Project - possum	530	313
Clinic	3,094	1,423
Association dues	893	970
Summer fire patrol	105	594
Fire hose	3,394	2,714
Pagers	2,441	267
Casual labour	270	180
Pump-outs	1,030	1,295
Rentals	1,406	752
Harvest fair	1,134	633
Composters	438	-
Miscellaneous	320	-
	15,655	9,957

## 7. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.