

**Hornby Island Residents' &
Ratepayers' Association
Financial Statements**
December 31, 2008

Hornby Island Residents' & Ratepayers' Association

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For the year ended December 31, 2008

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Auditors' Report

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

We have audited the balance sheet of Hornby Island Residents' & Ratepayers' Association as at December 31, 2008 and the statements of operations and comprehensive income, 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 comprehensive income and net assets.

The Society's average of annual revenues over the current and preceding year exceeded \$500,000. Canadian generally accepted accounting principles requires that a not-for-profit society must capitalize on a retroactive basis any capital expenditures if a society's average revenues of the current and preceding year exceeds \$500,000. If the capital expenditures had been capitalized in accordance with Canadian generally accepted accounting principles, capital assets in the balance sheet would have increased by an indeterminable amount and the excess of revenues over expenses in the statement of operations and comprehensive income for the year ended December 31, 2008 would have been decreased by an indeterminable amount.

In our opinion, except for the effects 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, as well as the failure to properly capitalize the capital expenditures incurred during the year as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2008 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 18, 2009

Chartered Accountants

Hornby Island Residents' & Ratepayers' Association

Balance Sheet

As at December 31, 2008

	2008	2007
Assets		
Current		
Cash	55,029	56,146
Term deposits	23,834	23,194
Accounts receivable	28,317	23,381
Deposit	-	6,930
	107,180	109,651
Liabilities		
Current		
Bank indebtedness	11,818	10,657
Accounts payable and accruals	25,521	26,543
Deferred revenue	750	675
	38,089	37,875
Net Assets		
Unrestricted net assets	69,091	71,776
	107,180	109,651

Approved on behalf of the Board

Director

Director

Hornby Island Residents' & Ratepayers' Association

Statement of Operations and Comprehensive Income

For the year ended December 31, 2008

	2008	2007
Revenue		
Funding		
Regional district capital	75,913	46,556
Regional district operations	287,315	247,392
Regional district	52,790	47,791
Parks contract	6,525	13,565
Registration fees	6,835	11,365
Refundable sales	14,696	12,629
Rental	30,752	25,407
Miscellaneous	5,981	2,523
Other	3,493	2,172
Donations and fundraising	5,436	4,866
T-Shirt, DVD sales	3,452	1,746
Tipping fees	53,017	55,026
	546,205	471,038
Expenses		
Administrative	7,210	8,261
Advertising and promotion	15,889	12,468
Capital assets	64,942	27,328
Conferences	1,504	1,601
Contract work	23,448	21,635
Fire patrol	15,972	16,805
Freight	29,605	31,203
Fuel	5,660	2,441
Insurance	16,470	14,891
Miscellaneous	1,797	1,464
Office	12,744	8,782
Professional fees	20,629	20,188
Projects and events	25,880	6,379
Repairs and maintenance	84,019	72,103
Salaries, wages and benefits	165,072	147,804
Supplies	10,835	13,952
Tipping fees paid	22,220	25,301
Training and education	14,771	14,519
Utilities	6,823	6,162
Volunteer Fund	3,400	10,500
	548,890	463,787
Excess of revenue over expenses and comprehensive income	(2,685)	7,251

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, 2008

	2008	2007
Net assets, beginning of year	71,776	64,525
Excess of revenue over expenses and comprehensive income	(2,685)	7,251
Net assets, end of year	69,091	71,776

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, 2008

	2008	2007
Cash provided by (used for) the following activities		
Operating activities		
Cash received from funding sources, grants and customers	541,344	480,509
Cash paid to suppliers	(377,910)	(308,955)
Cash paid to employees	(165,072)	(147,804)
Increase (decrease) in cash resources	(1,638)	23,750
Cash resources, beginning of year	68,683	44,933
Cash resources, end of year	67,045	68,683
Cash resources are composed of:		
Cash	55,029	56,146
Term deposits	23,834	23,194
Bank indebtedness	(11,818)	(10,657)
	67,045	68,683

Hornby Island Residents' & Ratepayers' Association

Notes to the Financial Statements

For the year ended December 31, 2008

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 Valley Regional District ("CVRD"). Through contracts held with the CVRD 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:

Basis of presentation

HIRRA follows the restricted fund method of accounting for contributions in accordance with Canadian generally accepted accounting principles. The Society uses only one fund, the General Operating Fund that all transactions flow through.

Term deposits

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

Property, plant and equipment

Property, plant and equipment are expensed.

Revenue recognition

All revenues are recognized in the year in which the funds are received and the year in which the related expenses are incurred.

The Society recognizes revenue from contracts held with the CVRD 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 collectibility.

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.

Hornby Island Residents' & Ratepayers' Association

Notes to the Financial Statements

For the year ended December 31, 2008

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 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 are recognized immediately in income.

Loans and receivables:

The Society has classified the accounts receivable and deposits 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, 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.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net income upon derecognition.

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, 2008

Comprehensive income:

Comprehensive income includes all changes in equity of the Society. Comprehensive income is the total of excess of revenue over expense and other comprehensive income. Other comprehensive income comprises revenue, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, requires recognition, but are excluded from excess of revenue over expenses. The Society does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in excess of revenue over expenses.

3. Economic dependence

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

4. 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. 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.

As at year end 56% of the Society's accounts receivables were from two sources.

Fair value of financial instruments

The carrying amount of current financial assets and liabilities approximates their fair value due to their short-term nature.

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 by purchasing investments with a relatively short maturity period. The Society is exposed to interest rate risk with respect to the term deposits.