

Hornby Island Residents' & Ratepayers' Association

Financial Statements

December 31, 2009

Hornby Island Residents' & Ratepayers' Association Contents

For the year ended December 31, 2009

	Page
Management's Responsibility	
Auditors' Report	
Financial Statements	
Balance Sheet.....	1
Statement of Revenues and Expenses.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements	5

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

Management is responsible for the preparation and presentation of the accompanying December 31, 2009 financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the December 31, 2009 financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Executive Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Executive Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Executive Committee is also responsible for recommending the appointment of the Association's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the December 31, 2009 financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Executive Committee and management to discuss their audit findings.

March 3, 2010

Ron Sitter, President

Lynn Nunley, Vice President

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, 2009 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2009 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

March 3, 2010

Chartered Accountants

Hornby Island Residents' & Ratepayers' Association

Balance Sheet

As at December 31, 2009

	2009	2008 (Restated)
Assets		
Current		
Cash	95,269	55,029
Term deposits	-	23,834
Accounts receivable	13,714	28,317
	108,983	107,180
Capital assets (Note 3)	115,834	114,157
	224,817	221,337
Liabilities		
Current		
Bank indebtedness	-	11,818
Accounts payable and accruals	24,632	25,519
Deferred revenue	750	750
	25,382	38,087
Net Assets		
Invested in capital assets	115,834	114,157
Unrestricted net assets	83,601	69,093
	199,435	183,250
	224,817	221,337

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Hornby Island Residents' & Ratepayers' Association

Statement of Revenues and Expenses

For the year ended December 31, 2009

	2009	2008 <i>(Restated)</i>
Revenue		
Regional district	394,888	415,927
Tipping fees	49,560	53,017
Trails and parks	33,833	6,525
Rental	33,383	30,752
Refundable sales	14,662	14,696
Recreation registration fees	10,845	8,565
Grants	9,000	1,400
Donations and fundraising	8,247	7,611
Projects and events	5,753	4,258
Other	4,412	1,731
T-Shirt and DVD sales	429	1,722
	565,012	546,204
Expenses		
Administrative	1,049	6,850
Advertising and public relations	14,011	15,889
Amortization	6,986	6,120
Capital maintenance	20,095	46,142
Conferences	1,666	1,504
Contract work	17,822	23,448
Fire patrol	2,500	15,972
Freight and waste materials	28,263	29,605
Fuel	4,479	5,660
Insurance	13,242	16,470
Office	13,394	13,488
Professional fees	23,038	20,629
Projects and events	7,321	23,364
Repairs and maintenance	97,267	84,019
Salaries, wages and benefits	224,026	165,072
Supplies	18,840	12,246
Tipping fees paid	20,566	22,220
Training and education	18,537	14,771
Recreation program expenses	5,510	2,515
Utilities	6,215	6,823
Volunteer fund	4,000	3,400
	548,827	536,207
Excess of revenues over expenses	16,185	9,997

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, 2009

	2009	<i>2008 (Restated)</i>
Excess of revenues over expenses	16,185	9,997
Net assets, beginning of year, as previously stated	69,093	71,776
Prior period adjustment (Note 7)	114,157	101,477
Net assets, beginning of year restated	183,250	173,253
Net assets, end of year	199,435	183,250

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, 2009

	2009	2008 <i>(Restated)</i>
Cash provided by (used for) the following activities		
Operating activities		
Cash received from funding sources, grants and customers	579,615	541,344
Cash paid to suppliers	(318,702)	(359,110)
Cash paid to employees	(224,026)	(165,072)
	36,887	17,162
Investing activities		
Cash paid to purchase capital assets	(8,663)	(18,800)
Increase (decrease) in cash resources	28,224	(1,638)
Cash resources, beginning of year	67,045	68,683
Cash resources, end of year	95,269	67,045
Cash resources are composed of:		
Cash	95,269	55,029
Term deposits	-	23,834
Bank indebtedness	-	(11,818)
	95,269	67,045

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, 2009

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 Association uses only one fund, the General Operating Fund that all transactions flow through.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	<i>Rate</i>
Buildings	40 years
Equipment	5 years

In the year of acquisition, amortization under the straight-line method is taken at one-half of the above rates.

Revenue recognition

All revenues are recognized in the year in which the funds are received.

The Association recognizes revenue from contracts held with the CVRD to administer tax funded local services. The Association 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 reasonably 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.

Financial instruments

Held for trading:

The Association has classified the following financial assets and liabilities as held for trading: cash and term deposits.

Hornby Island Residents' & Ratepayers' Association

Notes to the Financial Statements

For the year ended December 31, 2009

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 excess of revenues over expenses.

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 excess of revenues over expenses.

Loans and receivables:

The Association has classified the following financial asset as loans and receivables: accounts receivable. This asset is initially recognized at 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 excess of revenue over expenses and transaction costs arising from their disposal are immediately recognized in excess of revenues over expenses.

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 method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Carrying value approximates amortized cost. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Association has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. 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 excess of revenues over expenses while transaction costs arising from their disposal are immediately recognized in excess of revenues over expenses. Total interest expense, if applicable, calculated using the effective interest rate method, is recognized in excess of revenues over expenses.

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. Carrying value approximates amortized cost. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition.

Financial asset impairment:

The Association 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 excess of revenues over expenses.

Hornby Island Residents' & Ratepayers' Association

Notes to the Financial Statements

For the year ended December 31, 2009

3. Capital assets

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	20,171	-	20,171	20,171
Buildings	137,538	66,314	71,224	74,663
Equipment	31,468	7,029	24,439	19,323
	189,177	73,343	115,834	114,157

4. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Association 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 Association to concentrations of credit risk consist primarily of accounts receivable. The Association manages its credit risk by monitoring and following up on overdue receivables and providing allowances for potentially uncollectible amounts.

As at year end 54% (\$4,897) of the Association's accounts receivables were from one source. Collectibility of \$2,194 is uncertain. The Association will review the collectibility and make a determination as to any allowance or write-off required in the subsequent fiscal period.

Fair value of financial instruments

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

5. Capital management

The Association's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to the benefit of the community. The Association maintains sufficient liquidity to meet its short-term obligations as they come due.

The Association manages the following as capital:

	2009	2008
Invested in capital assets	115,834	114,157
Unrestricted net assets	83,601	69,093
	199,435	183,250

Hornby Island Residents' & Ratepayers' Association

Notes to the Financial Statements

For the year ended December 31, 2009

6. Economic dependence

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

7. Prior period adjustment

Effective January 1, 2008, the Association adopted CICA Handbook Section 4430 *Capital Assets Held by Not-for-profit Organizations*. The Association has applied these changes retrospectively to December 31, 2008. The impact on prior year financial statements is:

Opening net assets increase	101,477
Expenses decrease	18,800
Amortization expense increases	6,121
Revenue over expenses increases	12,679
Capital assets increase	114,157

8. Comparative figures

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

The grouping and naming of revenues and expenses was updated to provide more transparent and representative information of the Associations' annual activity.