

**HORNBY ISLAND RESIDENTS' AND
RATEPAYERS' ASSOCIATION**

Financial Statements

Year ended December 31, 2018

(Prepared without audit)

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MANAGEMENT'S RESPONSIBILITY

To the Members of Hornby Island Residents' and Ratepayers' Association

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and externally reviewed financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

Presley & Partners, an independent firm of Chartered Professional Accountants, is appointed by the members to review the December 31, 2018 financial statements and report directly to them; their report follows. The external accountants have full and free access to both the Executive Committee and management to discuss their findings.

Rob McCreary, President

Lynn Nunley, Treasurer

INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Hornby Island Residents' and Ratepayers' Association

We have reviewed the accompanying financial statements of Hornby Island Residents' and Ratepayers' Association that comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many organizations of this type, Hornby Island Residents' and Ratepayers' Association derives a portion of its revenue from donations and fundraising, which are not susceptible to satisfactory review. Accordingly, our review of this revenue was limited to the amounts recorded in the records of the Hornby Island Residents' and Ratepayers' Association and we were not able to determine whether any adjustments might be necessary to donation revenue, net expense for the year, assets and surplus.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the 'Basis for Qualified Conclusion' paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Hornby Island Residents' and Ratepayers' Association as at December 31, 2018, and the results of its operations, statement of changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

March 1, 2019
Courtenay, B.C.

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2018

(Prepared without audit)

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 312,186	\$ 281,150
Accounts receivable	40,191	17,016
Sales tax receivable	6,125	2,342
	<u>358,502</u>	<u>300,508</u>
LIABILITIES		
Trade accounts payable	40,022	56,665
Government remittances payable	8,288	7,922
Deferred revenue	-	6,000
	<u>48,310</u>	<u>70,587</u>
NET FINANCIAL ASSETS	<u>310,192</u>	<u>229,921</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	117,975	105,903
Prepaid expenses	18,790	6,586
	<u>136,765</u>	<u>112,489</u>
ACCUMULATED SURPLUS	<u>\$ 446,957</u>	<u>\$ 342,410</u>

Approved on behalf of the Board

Director_____
Director

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION**STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2018****(Prepared without audit)**

	2018 Budget	2018	2017
REVENUE			
CVRD operating	\$ 548,944	\$ 539,327	\$ 528,498
HIWM - Tipping fees	75,000	91,457	90,384
Rental income	37,700	42,630	38,003
CVRD special projects	39,784	42,298	-
Recreation program registration	24,000	26,728	22,652
HIWM - refundable sales	12,000	16,742	18,233
Donations and fundraising	-	14,291	4,003
Grants	5,600	10,907	7,182
Other revenue	3,270	7,665	11,794
Fall fair	-	2,764	4,470
	746,298	794,809	725,219
EXPENSES			
Cemetery	-	444	896
Comfort stations	14,372	11,486	10,995
Community hall	57,460	50,781	59,002
Fall fair	-	5,154	3,443
Hornby Island fire rescue	195,397	193,096	189,918
Hornby Island waste management	291,705	266,702	255,689
Invasive weed	5,425	5,144	3,741
Property management	12,725	28,615	17,863
Recreation	53,000	52,677	51,824
Regional parks and trails	59,000	76,163	56,978
	689,084	690,262	650,349
ANNUAL SURPLUS	\$ 57,214	104,547	74,870
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		342,410	267,540
ACCUMULATED SURPLUS AT END OF YEAR		\$ 446,957	\$ 342,410

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018
(Prepared without audit)

	2018	2017
ANNUAL SURPLUS	\$ 104,547	\$ 74,870
ACQUISITION OF TANGIBLE CAPITAL ASSETS	(22,695)	(11,105)
(INCREASE) DECREASE IN PREPAID EXPENSES	(12,205)	(735)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	10,624	6,895
CHANGE IN NET FINANCIAL ASSETS	80,271	69,925
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	229,921	159,996
NET FINANCIAL ASSETS AT END OF YEAR	\$ 310,192	\$ 229,921

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2018****(Prepared without audit)**

	2018	2017
CASH FLOWS FROM OPERATING TRANSACTIONS		
CASH RECEIVED FROM		
Government	\$ 607,572	\$ 538,280
User fees and rents	127,859	174,499
Donations and fundraising	4,614	9,175
Sales and other	21,808	26,725
	<u>761,853</u>	<u>748,679</u>
CASH PAID TO		
Suppliers	(430,836)	(358,958)
Employees and benefits	(277,287)	(257,903)
Purchase capital assets	(22,694)	(11,104)
	<u>(730,817)</u>	<u>(627,965)</u>
INCREASE (DECREASE) IN CASH	31,036	120,714
CASH AT BEGINNING OF YEAR	281,150	160,436
CASH AT END OF YEAR	\$ 312,186	\$ 281,150

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

(Prepared without audit)

1. NATURE OF OPERATIONS

The Hornby Island Residents' & Ratepayers' Association ("HIRRA") is a non-profit society registered in the province of BC since 1973. Through this association, Hornby Island has an opportunity to be partially self-governing. HIRRA administers Hornby Island tax dollars and membership is open to residents and property owners on Hornby 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, 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.

HIRRA also manages the tenancy of its property and the Savoie building, the development and tenancy of its leased ten acres, the annual Fall Fair, the development of roadside trails and beach access parks and the community cemetery.

HIRRA is exempt from income taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian public sector accounting standards.

a) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Repairs and maintenance are expensed in the period in which they occur. Betterments which enhance the asset life or capacity are capitalized. Amortization is calculated on the straight line method at the annual rates indicated in Note 3, except in the year of acquisition when one-half the normal rate is used.

Tangible capital assets are written down when conditions indicate that they no longer contribute to HIRRA's ability to provide services or when the value of future economic benefits associated with the tangible asset are less than their net book value. The net write-down is accounted for as expenses in the Statement of Operations.

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HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

(Prepared without audit)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Revenue Recognition

HIRRA recognizes revenue from contracts held with the CVRD to administer tax funded local services. HIRRA creates a budget and upon approval receives semi-annual 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 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.

3. TANGIBLE CAPITAL ASSETS

			2018		2017
	<i>Rate</i>	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net</i>	<i>Net</i>
Land	-	\$ 20,171	\$ -	\$ 20,171	\$ 20,171
Equipment	1/5	65,301	41,055	24,246	27,917
Parking lot	1/15	10,253	4,102	6,151	6,407
Buildings	1/40	165,213	97,806	67,407	51,408
		\$ 260,938	\$ 142,963	\$ 117,975	\$ 105,903

4. FINANCIAL INSTRUMENTS

HIRRA, as part of its operations, carries a number of financial instruments. It is management's opinion that HIRRA is not exposed to significant interest, credit or currency risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk that HIRRA will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable of \$40,191 (2017 - \$17,016). One customer accounts for 84% of this balance (2017 - one customer accounted for 61%), but management feels that risk of collection of these amounts is minimal due to the past payment history of this customer.

5. ECONOMIC DEPENDENCE

HIRRA is economically dependent on the CVRD as its primary source of income is from funding received through tax dollars from the CVRD.

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

(Prepared without audit)

6. ENVIRONMENTAL MATTERS

The company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to the protection of the environment in general. A risk of environmental liability is inherent in the operations; real estate ownership, operation or control; and other commercial activities of the company with respect to both current and past operations. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the company's financial condition or competitive position.

7. COMPARATIVE FIGURES

Certain of the 2017 comparative figures have been reclassified to conform with the presentation adopted for 2018.

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION**Schedule****SCHEDULE OF EXPENSES BY TYPE****YEAR ENDED DECEMBER 31, 2018****(Prepared without audit)**

	2018	2017
Administrative and miscellaneous	\$ 5,908	\$ 6,406
Amortization	10,624	6,895
Contractors	66,609	52,261
Education and training	29,983	25,472
Events	4,503	2,866
Fuel	4,379	4,127
HIWM - Hazardous waste removal	770	1,740
HIWM - Tipping fees paid	47,367	47,997
Insurance	12,759	12,058
Office	16,640	17,743
Professional fees	8,925	8,805
Publicity and promotion	15,252	14,363
Recreation program	19,006	14,265
Repairs and maintenance - committees	35,406	45,917
Repairs and maintenance - equipment	29,835	33,881
Special projects	23,363	15,356
Summer fire patrol and permits	15,072	16,908
Supplies	21,268	22,287
Telecommunications	6,526	4,780
Travel	34	237
Utilities	15,642	14,369
Volunteer fund	5,306	5,313
Wages and employee benefits	295,085	276,303
	\$ 690,262	\$ 650,349