

Hornby Island Residents' and Ratepayers'  
Association

December 31, 2019

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Financial Statements

Hornby Island Residents' and Ratepayers'  
Association

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# Management Responsibility Statement

The management of Hornby Island Residents' and Ratepayers' Association is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with Canadian generally accepted accounting principles. The financial statements are considered by management to present fairly the management's financial position and results of operations.

The organization, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Grant Thornton LLP, Chartered Professional Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

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Lynn Nunley  
President

**X**

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Rudy Rogalsky  
Treasurer



# Independent Practitioner's Review Engagement Report

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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, 2019, and the statements of operations 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.

## **Practitioner's 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, 2019, 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.

Courtenay, Canada  
June 10, 2020

*Grant Thornton LLP*

Chartered Professional Accountants

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## Hornby Island Residents' and Ratepayers' Association Statement of Operations

Year ended December 31	2019 Budget	2019 Actual	2018 Actual
<b>Revenue</b>			
CVRD operating	\$ 484,680	\$ 491,721	\$ 539,327
HIWM - Tipping fees	80,000	97,748	91,457
CVRD special projects	120,500	96,831	42,298
Rental income	37,700	42,484	42,630
HIWM - refundable sales	12,000	18,643	16,742
Recreation program registration	28,400	15,888	26,728
Other revenue	3,650	8,779	7,665
Grants	3,800	6,074	10,907
Donations and fundraising	-	5,948	14,291
Fall fair	-	4,875	2,764
	<u>770,730</u>	<u>788,991</u>	<u>794,809</u>
<b>Expenses</b>			
Cemetery	-	704	444
Comfort stations	14,372	14,053	11,486
Community hall	56,612	55,318	50,781
Core service	-	4,131	-
Fall fair	-	2,888	5,154
Hornby Island fire rescue	199,579	218,984	193,096
Hornby Island waste management	279,631	336,044	266,702
Invasive weed	2,759	4,679	5,144
Property management	12,059	22,782	28,615
Recreation	59,212	46,363	52,677
Regional parks and trails	59,567	53,652	76,163
	<u>683,791</u>	<u>759,598</u>	<u>690,262</u>
Annual Surplus	\$ <u>86,939</u>	29,393	104,547
Accumulated Surplus at Beginning of Year		<u>446,957</u>	<u>342,410</u>
Accumulated Surplus at End of Year		\$ <u>476,350</u>	<u>446,957</u>

## Hornby Island Residents' and Ratepayers' Association Statement of Financial Position

December 31	2019	2018
<b>Financial Assets</b>		
Cash	\$ 295,744	\$ 312,186
Accounts receivable	39,390	40,191
Goods and services tax receivable	<u>3,415</u>	<u>6,125</u>
	<u>338,549</u>	<u>358,502</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	7,249	40,022
Government remittances payable	<u>7,738</u>	<u>8,288</u>
	<u>14,987</u>	<u>48,310</u>
<b>Net financial assets</b>	<u>323,562</u>	<u>310,192</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 3)	145,567	117,975
Prepaid expenses	<u>7,221</u>	<u>18,790</u>
	<u>152,788</u>	<u>136,765</u>
<b>Accumulated surplus</b>	<u>\$ 476,350</u>	<u>\$ 446,957</u>

Subsequent event (Note 7)

Approved on behalf of the Board

Director \_\_\_\_\_

Director \_\_\_\_\_



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## Hornby Island Residents' and Ratepayers' Association

### Statement of Changes in Net Financial Assets

Year ended December 31	2019	2018
Annual Surplus	\$ <u>29,393</u>	<u>104,547</u>
Decrease (increase) in prepaid expenses	<u>11,570</u>	<u>(12,205)</u>
Acquisition of tangible capital assets	<u>(40,767)</u>	<u>(22,695)</u>
Amortization of tangible capital assets	<u>13,174</u>	<u>10,624</u>
	<u>(27,593)</u>	<u>(12,071)</u>
Increase in net financial assets	<u>13,370</u>	<u>80,271</u>
Net financial assets, beginning of year	<u>310,192</u>	<u>229,921</u>
Net financial assets, end of year	\$ <u>323,562</u>	<u>310,192</u>

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## Hornby Island Residents' and Ratepayers' Association

### Statement of Cash Flows

Year ended December 31	2019	2018
<b>Operating</b>		
Government	\$ 594,626	\$ 607,572
User fees and rents	159,631	127,859
Donations and fundraising	10,823	4,614
Sales and other	27,423	21,808
Payments to suppliers	(463,407)	(430,836)
Compensation to employees	<u>(304,771)</u>	<u>(277,287)</u>
	<b>24,325</b>	<b>53,730</b>
<b>Investing</b>		
Purchase of tangible capital assets	<u>(40,767)</u>	<u>(22,694)</u>
(Decrease) increase in cash	<b>(16,442)</b>	<b>31,036</b>
<b>Cash</b>		
Beginning of year	<u>312,186</u>	<u>281,150</u>
End of year	<b>\$ <u>295,744</u></b>	<b>\$ <u>312,186</u></b>

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# Hornby Island Residents' and Ratepayers' Association

## Notes to the Financial Statements

December 31, 2019

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### 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.

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### 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are detailed as follows:

#### 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 below, 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 assets are less than their net book value. The net write-down is accounted for as expenses in the Statement of Operations.

Buildings	40 years Straight-line
Equipment	5 years Straight-line
Parking lot	15 years Straight-line
Furniture and fixtures	5 years Straight-line

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# Hornby Island Residents' and Ratepayers' Association

## Notes to the Financial Statements

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December 31, 2019

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### 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.

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### 3. Tangible capital assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 20,171	\$ -	\$ 20,171	-
Buildings	195,817	102,319	165,213	97,806
Equipment	71,328	48,424	65,301	41,056
Parking lot	10,253	4,359	10,253	4,101
Furniture and fixtures	4,135	413	-	-
	<u>301,704</u>	<u>156,137</u>	<u>260,938</u>	<u>142,963</u>
Net book value	\$ <u>145,567</u>		\$ <u>117,975</u>	

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### 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.

#### (a) 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 \$39,390 (2018 - \$40,191). One customer accounts for 71% of this balance (2018 - one customer accounted for 84%), but management feels that risk of collection of these amounts is minimal due to the past payment history of this customer.

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# **Hornby Island Residents' and Ratepayers' Association**

## **Notes to the Financial Statements**

December 31, 2019

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### **5. Economic dependence**

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

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### **6. Environmental matters**

HIRRA 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 HIRRA 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 HIRRA's financial condition or competitive position.

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### **7. Subsequent event**

Subsequent to the year-end of HIRRA, COVID-19 has become a global health crisis and could cause some disruption to HIRRA's operations. HIRRA has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. HIRRA has undertaken financing and management measures to mitigate the effect on HIRRA. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of HIRAA for future periods.

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## Hornby Island Residents' and Ratepayers' Association

### Schedule of Expenses by Type

Year ended December 31	2019	2018
Administrative and miscellaneous	\$ 7,892	\$ 5,905
Amortization	13,174	10,624
Bad debts	383	-
Contractors	47,075	66,610
Education and training	13,605	29,983
Events	2,272	4,503
Fuel	8,038	4,379
HIWM - Hazardous waste removal	767	770
HIWM - Tipping fees paid	58,739	47,367
Insurance	14,051	12,759
Office	18,060	16,642
Professional fees	8,635	8,925
Publicity and promotion	13,177	15,252
Recreation program	13,993	19,006
Repairs and maintenance - committees	44,530	35,406
Repairs and maintenance - equipment	37,297	29,835
Special projects	83,299	23,363
Summer fire patrol and permits	16,466	15,072
Supplies	26,412	21,268
Telecommunications	6,924	6,526
Travel	188	34
Utilities	15,360	15,642
Volunteer fund	4,481	5,306
Wages and employee benefits	304,780	295,085
	\$ 759,598	\$ 690,262