

Our File No. HO075

March 28, 2017

Hornby Island Community Economic Enhancement  
2115B Sollans Road  
Hornby Island BC V0R 1Z0



CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

Dear Daniel Arbour:

The purpose of this letter is to outline the nature of our involvement with the financial statements of Hornby Island Community Economic Enhancement for the year ending December 31, 2016. As agreed, we will compile the financial statements in accordance with the standards applicable to compilation engagements for the year ended December 31, 2016 from information provided by you. We will not perform an audit or a review engagement on such information.

Unless unanticipated difficulties are encountered, our communication will be substantially in the following form:

#### **NOTICE TO READER**

On the basis of information provided by management, we have compiled the balance sheet of Hornby Island Community Economic Enhancement as at December 31, 2016 and the statements of income and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

CLOUTIER MATTHEWS LLP  
Chartered Professional Accountants

Courtenay, B.C.  
Report date

#### **Our Responsibilities**

Since we are accepting this engagement as accountants, not as auditor, we request that you do not record this as an auditing engagement in the minutes of your board of directors meetings. Our services will not result in the expression of an audit opinion or any other form of assurance on the financial statements nor the fulfilling of any statutory or other audit requirement. You may wish to obtain legal advice concerning statutory (or contractual) audit requirements.

It is understood and agreed that:

- a) You will provide us with accurate and complete information necessary to compile such statements;
- b) The responsibility for the accuracy and completeness of the representations in the financial statements remains with you;
- c) Each page of the financial statements will be conspicuously marked as being unaudited;
- d) You will attach our Notice to Reader communication when distributing the financial statements to third parties;
- e) The financial statements may either lack disclosure required by, or otherwise not be in accordance with, generally accepted accounting principles and may not be appropriate for general purpose use; and
- f) Uninformed readers could be misled unless they are aware of the possible limitations of the statements and our very limited involvement.

This engagement cannot be relied upon to prevent or detect error and fraud and other irregularities. We wish to emphasize that responsibility for the prevention and detection of error and fraud and other irregularities must remain with management.

#### **Personal Information**

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a) You represent to us that you have obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b) We hold all personal information in compliance with our Privacy Statement.

#### **File Inspections**

In accordance with professional regulations (and by our firm policy), our client files must periodically be reviewed by practice inspectors and by other firm personnel to ensure that we are adhering to professional and firm standards. File reviewers are required to maintain confidentiality of client information.

#### **Working Papers**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our firm, constitute confidential information and will be retained by us in accordance with our firm's policies and procedures.

## **Use and Distribution of our Communication**

The compilation of the financial statements and the issuance of our Notice to Reader communication are solely for the use of those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party.

## **Other Terms of Engagement**

Subject to management review and approval, our staff will carry out such bookkeeping as we find necessary prior to the preparation of the financial statements; prepare the necessary federal and provincial income tax returns; prepare a Capital Dividend Election, if applicable; and prepare any special reports as required. Management will provide the information necessary to complete the returns/reports and will file them with the appropriate authorities on a timely basis.

It should be noted that any accounting work in the area of GST and other commodity taxes is limited to that appropriate to compile the financial statements. Accordingly, our staff may not detect situations where you are incorrectly collecting GST or incorrectly claiming input tax credits. As you are aware, failure to properly account for the GST could result in you or your company becoming liable for tax, interest or penalties. These situations may also arise for custom duties and excise taxes.

Our staff will be pleased to provide other additional services upon request. Such services include income tax planning, GST advice, PST advice, business financing, management consulting and valuations.

## **Dispute Resolution**

You agree that:

- a) Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- b) You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Any mediation initiated as a result of this engagement shall be administered within the Province of British Columbia by a member of the British Columbia Mediator Roster, according to its mediation rules, and any ensuing litigation shall be conducted within such Province, according to Provincial law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

## **Indemnity**

You and your company hereby agree to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- a) The breach by your company or its directors, officers, agents or employees, of any of the covenants made by you and your company herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm; and
- b) The services performed by us pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of our firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by you and your company.

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failure or delays in performance that arises from causes beyond our control, including the untimely performance by Hornby Island Community Economic Enhancement of its obligations.

#### **Limitation of Liability**

The total liability of Cloutier Matthews LLP and any of its partners and employees for any errors, omissions or negligent acts, whether they are in contract or in tort or in breach of fiduciary duty or otherwise, arising from any professional services performed or not performed by Cloutier Matthews LLP or by any of its partners or employees for the client shall be limited to the sum available in respect of the liability of Cloutier Matthews LLP, under the policy or policies of professional liability insurance available to indemnify Cloutier Matthews LLP, at the time the claim was made.

We will not assume any liabilities of the company or its directors that may arise from professional services or other advice rendered unless the service or advice results in a document. You have agreed that aside from the preparation of the corporate income tax return and other information returns, all other services (whether specifically billed for or not) do not result in a document unless a written document is specifically requested by the company's directors and such request is made in writing.

This exclusion of liability is considered necessary by the company's directors in order to have us readily give advice on matters that arise while we are engaged to provide income tax services and that due to the nature of the advice requested and the manner and timing within which it may be requested it may not be considered cost effective, or timely, to ensure all facts are investigated, researched and published in a considered manners. The company's directors realize the inherent limitations of such advice and that such advice could be in error as there may not be sufficient facts or time available to render an accurate opinion. On the other hand, the company's directors are free to request (via written request) advice on particular matters. In this case we will render full and considered advice with commensurate fees.



## **Foreign Reporting**

It is further understood and agreed that you are aware of the foreign reporting rules. We are relying on you to provide us with the necessary information. Your company may be required to file information returns to comply with these rules if it has:

- One or more foreign affiliates or controlled foreign affiliates (Form T1134). Filing deadline is March 31, 2018.
- Transferred or loaned property to a non-resident/off-shore trust any time after 1990 (Form T1141). Filing deadline is June 30, 2017.
- Received distributions from or is indebted to a non-resident trust (Form T1142). Filing deadline is June 30, 2017.
- Foreign property with a total cost of more than Cdn \$100,000 (Form T1135). Form T1135 is not required if the foreign property (such as shares of a foreign affiliate, an interest in an off-shore trust) is reported on one of the other foreign reporting forms above. The filing deadline is June 30, 2017.

Failure to comply may result in significant penalties that are not deductible for income tax purposes. There are more penalties to those persons who make or participate in the making a false statement or omission on the new information returns. Therefore, we must impress upon you the importance of carrying out due diligence to file these returns accurately and completely.

## **Penalties For Tax Professionals and Consultants**

There are civic penalties under the Income Tax Act for misrepresentation by tax professionals, consultants to the company, employees of the company who, together with related persons, own at least 10% of the company, and other third parties. These penalties are severe and are the greater of \$1,000 and 50% of the tax avoided, plus interest. Therefore, it is very important that you provide us with all the relevant information to prepare the income tax returns and forms accurately and completely.

The ultimate responsibility for your company's returns and forms rests with you to ensure you have given us all relevant information and that the information has been correctly presented in the returns and forms.

## **Fees**

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable GST, and are due when rendered. Fees for additional services will be established separately.

Our fees and costs will be billed regularly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to interest charges of 1.0% per month. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

**Costs of Responding to Government or Legal Processes**

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to the information we have obtained and/or prepared during the course of this engagement, you agree to compensate this firm, at our normal hourly rates, for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST) incurred.

\* \* \*

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties. The arrangements outlined in this letter will continue in effect for the next three years, unless amended or terminated in writing.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity to be of service to you and your company.

Sincerely

*Claudia Matthews LLP*

CLOUTIER MATTHEWS LLP  
Chartered Professional Accountants

The services and terms set out are as agreed.

**Hornby Island Community Economic Enhancement**

*Daniel Arbut* Signature

Daniel Arbut Name

ADMINISTRATOR Title

May 25<sup>th</sup> 2017 Date

**HORNBY ISLAND COMMUNITY ECONOMIC ENHANCEMENT CORPORATION**  
**Financial Statements**  
**Year ended December 31, 2016**  
(Unaudited - see Notice to Reader)

Notice to Reader  
Statement of Financial Position  
Statement of Operations and Changes in Net Assets

**NOTICE TO READER**

On the basis of information provided by management, we have compiled the statement of financial position of Hornby Island Community Economic Enhancement Corporation as at December 31, 2016 and the statement of operations and changes in net assets for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Cloutier Matthews LLP  
Chartered Professional Accountants

Courtenay, B.C.

May 24, 2017



**HORNBY ISLAND COMMUNITY ECONOMIC ENHANCEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
(Unaudited - see Notice to Reader)

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 25,488
Accounts receivable	3,230
GST receivable	<u>1,908</u>
	30,626

**INVESTMENT IN PARTNERSHIP**

18,000

**LOANS RECEIVABLE**

4,080

\$ 52,706

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 769
Due to related party	<u>7,000</u>
	<u>7,769</u>

**NET ASSETS**

**UNRESTRICTED**

33,937

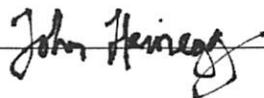
**INVESTED IN PARTNERSHIP**

11,000

44,937

\$ 52,706

Approved by the Directors



Director

**HORNBY ISLAND COMMUNITY ECONOMIC ENHANCEMENT CORPORATION**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**  
(Unaudited - see Notice to Reader)

**REVENUE**

Grant Income	\$ 62,000
CVRD	4,613
Regional	10,000
Provincial	25,000
CVRD Reserve	
Advertising Revenue	
Visitor Guide	22,997
www.hornbyisland.com	3,714
Other Revenue	<u>1,388</u>
	<u>129,712</u>

**EXPENSES**

Advertising and promotions	17,597
Visitor Guide	4,180
www.hornbyisland.com	2,740
Insurance	2,743
Office expenses	1,460
Professional fees	
Programs	
Program grants	12,315
Islanders' Secure Land Association	32,000
Repairs and maintenance	2,332
Compensation	
Economic Development Facilitator	10,892
Coordinator/administrator wages	12,984
Employee benefits	3,794
Sub-contracts	760
Travel expenses	<u>719</u>
	<u>104,516</u>

**EXCESS OF REVENUE OVER EXPENSES**

25,196

**OPENING NET ASSETS**

19,741

**ENDING NET ASSETS**

\$ 44,937

# Hornby Island Community Economic

Year End: December 31, 2016

Trial Balance

Completed by	Reviewed by	Prepped by
KS 4/13/2017	KW 5/1/2017	

6.2

Account	Prelim	Adj's	Rep	Rep 12/15	%Chg
1080 UBCU Chequing	26,198.20	(710.58)	25,487.62	0.00	0.00
<b>A Cash</b>	<b>26,198.20</b>	<b>(710.58)</b>	<b>25,487.62</b>	<b>0.00</b>	<b>0.00</b>
1200 Accounts Receivable	3,178.00	52.00	3,230.00	0.00	0.00
<b>C Accounts receivable, trade and other</b>	<b>3,178.00</b>	<b>52.00</b>	<b>3,230.00</b>	<b>0.00</b>	<b>0.00</b>
1210 Social Impact Loan	4,000.00	80.40	4,080.40	0.00	0.00
<b>E Loans and advances receivable</b>	<b>4,000.00</b>	<b>80.40</b>	<b>4,080.40</b>	<b>0.00</b>	<b>0.00</b>
1950 Investment in joint venture	0.00	18,000.00	18,000.00	0.00	0.00
<b>N Long-term investments</b>	<b>0.00</b>	<b>18,000.00</b>	<b>18,000.00</b>	<b>0.00</b>	<b>0.00</b>
2210 Vacation Payable	(17.28)	0.00	(17.28)	0.00	0.00
2220 EI Payable	(219.62)	0.00	(219.62)	0.00	0.00
2230 CPP Payable	(308.66)	0.00	(308.66)	0.00	0.00
2240 Taxes payable	(223.08)	0.00	(223.08)	0.00	0.00
2250 WCB Payable	26.27	(26.27)	0.00	0.00	0.00
2300 PST Payable	60.00	(60.00)	0.00	0.00	0.00
2320 GST / HST Collected	0.00	(1,383.16)	(1,383.16)	0.00	0.00
2340 GST/ HST Paid	3,290.76	0.00	3,290.76	0.00	0.00
2345 PST Paid	3.83	(3.83)	0.00	0.00	0.00
<b>CC Accounts payable and accrued liabilities</b>	<b>2,612.22</b>	<b>(1,473.26)</b>	<b>1,138.96</b>	<b>0.00</b>	<b>0.00</b>
2660 Due to Related Party	0.00	(7,000.00)	(7,000.00)	0.00	0.00
<b>GG Loans and advances payable</b>	<b>0.00</b>	<b>(7,000.00)</b>	<b>(7,000.00)</b>	<b>0.00</b>	<b>0.00</b>
3520 Surplus -	(2,655.10)	0.00	(2,655.10)	0.00	0.00
3560 Retained Surplus	(17,085.73)	0.00	(17,085.73)	0.00	0.00
<b>UU Equity</b>	<b>(19,740.83)</b>	<b>0.00</b>	<b>(19,740.83)</b>	<b>0.00</b>	<b>0.00</b>
4120 Comox Valley Regional District	(62,000.00)	0.00	(62,000.00)	0.00	0.00
4145 Grants, Regional	(4,612.90)	0.00	(4,612.90)	0.00	0.00
4150 Grants Provincial	(10,000.00)	0.00	(10,000.00)	0.00	0.00
4165 Grant - Year Round Rentals	(25,000.00)	0.00	(25,000.00)	0.00	0.00
4170 Ferry Promotion Revenue	(676.00)	(52.00)	(728.00)	0.00	0.00
4210 Office Space Rental Income	(1,000.00)	47.62	(952.38)	0.00	0.00
4220 Other	(337.68)	710.58	372.90	0.00	0.00
4420 Interest	0.00	(80.40)	(80.40)	0.00	0.00
4455 Brochure Ad Revenue	(24,146.50)	1,149.83	(22,996.67)	0.00	0.00
4460 hornbyisland.com Revenue	(3,900.00)	185.71	(3,714.29)	0.00	0.00
<b>695 Revenues</b>	<b>(131,673.08)</b>	<b>1,961.34</b>	<b>(129,711.74)</b>	<b>0.00</b>	<b>0.00</b>
5020 Program Grants	12,315.00	0.00	12,315.00	0.00	0.00

# Hornby Island Community Economic

Year End: December 31, 2016

Trial Balance

Completed by	Reviewed by	Prepped by
KS 4/13/2017	KW 5/1/2017	

6. 2-1

Account	Prelim	Adj's	Rep	Rep 12/15	%Chg
5100 Professional Fees/Consulting	0.00	(4,000.00)	(4,000.00)	0.00	0.00
5180 HD Visitor Guide	17,906.40	0.00	17,906.40	0.00	0.00
5190 ISLA	32,000.00	0.00	32,000.00	0.00	0.00
5200 Marketing Expenses	2,193.19	0.00	2,193.19	0.00	0.00
5240 Contract Fees	760.00	0.00	760.00	0.00	0.00
5250 Materials & Supplies	426.61	0.00	426.61	0.00	0.00
5260 Meeting Rm Rental Expenses	142.50	0.00	142.50	0.00	0.00
5265 Catering / Food service	638.31	0.00	638.31	0.00	0.00
5275 Conference/Workshop Exp	320.00	0.00	320.00	0.00	0.00
5280 Miscellaneous	100.00	0.00	100.00	0.00	0.00
5410 Coordinator/Administrator	12,984.00	0.00	12,984.00	0.00	0.00
5414 Marketing Manager	10,891.78	0.00	10,891.78	0.00	0.00
5415 Bookkeeper	960.00	0.00	960.00	0.00	0.00
5425 Staff Bonus	1,093.53	0.00	1,093.53	0.00	0.00
5435 Webmaster / Technical	30.00	0.00	30.00	0.00	0.00
5440 Vacation Pay Expense	955.02	0.00	955.02	0.00	0.00
5450 EI Expense	720.03	0.00	720.03	0.00	0.00
5455 CPP Expense	978.78	0.00	978.78	0.00	0.00
5460 WCB Expenses	20.40	26.27	46.67	0.00	0.00
5495 Travel	101.80	0.00	101.80	0.00	0.00
5510 Accounting & Legal	500.00	0.00	500.00	0.00	0.00
5520 Marketing	935.36	0.00	935.36	0.00	0.00
5535 Overdue Charges	6.75	0.00	6.75	0.00	0.00
5555 Computer/Web Fees	633.23	0.00	633.23	0.00	0.00
5556 HornbyIsland.com Expense	11,180.00	(7,000.00)	4,180.00	0.00	0.00
5580 Insurance	2,740.00	0.00	2,740.00	0.00	0.00
5690 Office Expenses	241.99	0.00	241.99	0.00	0.00
5695 Office Equipment	385.17	63.83	449.00	0.00	0.00
5700 Postage & Freight	37.91	0.00	37.91	0.00	0.00
5710 Printing / Photocopying	78.43	0.00	78.43	0.00	0.00
5730 Office / Meeting room rent	55.00	0.00	55.00	0.00	0.00
5750 Sundry	145.47	0.00	145.47	0.00	0.00
5760 Telephone / Internet / Web	2,332.08	0.00	2,332.08	0.00	0.00
5780 Travel & Accommodation	616.75	0.00	616.75	0.00	0.00
<b>740 Operating expenses</b>	<b>115,425.49</b>	<b>(10,909.90)</b>	<b>104,515.59</b>	<b>0.00</b>	<b>0.00</b>
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Net Income (Loss)</b>	<b>16,247.59</b>		<b>25,196.15</b>	<b>0.00</b>	

**Hornby Island Community Economic Enhancement Corporation**  
 Year End: December 31, 2016  
 Adjusting Journal Entries  
 Date: 1/1/2016 To 12/31/2016

6.4

Completed by	Reviewed by	Prepped by
KS 4/13/2017	KW 5/1/2017	

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	12/31/2016	Accounts Receivable	1200	C. 1	52.00			
1	12/31/2016	Ferry Promotion Revenue	4170	C. 1		52.00		
To adjust accounts receivable to actual.								
2	12/31/2016	UBCU Chequing	1080	A. 1	2,284.04			
2	12/31/2016	Other	4220	A. 1		2,284.04		
To clear stale dated entries.								
3	12/31/2016	UBCU Chequing	1080	A. 1		351.90		
3	12/31/2016	Other	4220	A. 1	351.90			
To record missing entry.								
4	12/31/2016	Social Impact Loan	1210	E. 2	80.40			
4	12/31/2016	Interest	4420	E. 2		80.40		
To record interest receivable.								
5	12/31/2016	WCB Payable	2250	CC		26.27		
5	12/31/2016	PST Payable	2300	CC		60.00		
5	12/31/2016	PST Paid	2345	CC		3.83		
5	12/31/2016	WCB Expenses	5460	CC	26.27			
5	12/31/2016	Office Equipment	5695	CC	63.83			
To expense WCB and PST paid on purchases.								
6	12/31/2016	GST / HST Collected	2320	695		1,383.16		
6	12/31/2016	Office Space Rental Income	4210	695	47.62			
6	12/31/2016	Brochure Ad Revenue	4455	695	1,149.83			
6	12/31/2016	hornbyisland.com Revenue	4460	695	185.71			
To reallocate GST from sales.								
7	12/31/2016	Investment in joint venture	1950	N. 1	18,000.00			
7	12/31/2016	Due to Related Party	2660	N. 1		7,000.00		
7	12/31/2016	Professional Fees/Consulting	5100	N. 1		4,000.00		
7	12/31/2016	HornbyIsland.com Expense	5556	N. 1		7,000.00		
To reallocate initial investment in joint venture.								
8	12/31/2016	UBCU Chequing	1080	A. 1		2,642.72		
8	12/31/2016	Other	4220	A. 1	2,642.72			
To record missing transactions to reconcile bank.								
					24,884.32	24,884.32		
Net Income (Loss)			25,196.15					

