

Schedule B

Financial Statements of

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY (OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Year ended December 31, 2017
(Unaudited)



KPMG LLP
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Canada
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INDEPENDENT PRACTITIONERS' REPORT

To the Members of Kelowna Downtown Business Improvement Area Society

We have reviewed the accompanying financial statements of Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society"), which comprise the statement of financial position as at December 31, 2017, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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 accounting standards for not-for-profit organizations, 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.



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Conclusion

Based on our review, 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 the Society as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. Based on our review, nothing has come to our attention that causes us to believe that the significant accounting policies applied in preparing these financial statements have not been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

Kelowna, Canada

March 14, 2018

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Statement of Financial Position

December 31, 2017, with comparative information for 2016

(Unaudited)

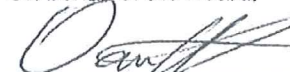
	2017	2016
Assets		
Current assets:		
Cash	\$ 117,372	\$ 86,081
Restricted cash and cash equivalents	40,721	40,657
Accounts receivable	32,647	11,110
Prepaid expenses and deposits	6,340	12,993
	197,080	150,841
Capital assets (note 2)	11,190	39,629
	\$ 208,270	\$ 190,470

Liabilities

Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,185	\$ 27,805
Current portion of long-term debt	17,812	17,805
	65,997	45,610
Long-term debt (note 3)	599	17,891
	66,596	63,501
Net assets:		
Invested in capital assets	-	3,933
Internally restricted	40,721	40,657
Unrestricted	100,953	82,379
	141,674	126,969
Commitments (note 4)		
	\$ 208,270	\$ 190,470

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016
(Unaudited)

	2017	2016
Revenue:		
City of Kelowna - membership levy	\$ 857,261	\$ 828,626
Downtown on call	45,000	45,000
Clean team	47,462	40,150
Events	45,932	37,663
Downtown concierge	7,636	11,058
Other	4,045	2,679
	1,007,336	965,176
Expenses:		
Amortization of capital assets	33,747	40,971
Business recruitment	6,198	6,450
Clean team	156,330	118,552
Communications	4,092	4,597
Downtown concierge	18,517	19,884
Downtown on call	244,455	222,250
Events	73,766	72,857
Insurance	7,966	7,882
Interest on long-term debt	864	1,395
Marketing and promotion	77,099	131,079
Office and administration	37,319	34,700
Professional development	8,804	6,765
Professional fees	17,241	8,559
Rent	28,295	28,425
Wages and benefits	277,938	266,150
	992,631	970,516
Excess (deficiency) of revenue over expenses	\$ 14,705	\$ (5,340)

See accompanying notes to financial statements.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY
(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)
Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016
(Unaudited)

December 31, 2017	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 3,933	\$ 40,657	\$ 82,379	\$ 126,969
Excess (deficiency) of revenue over expenses	(33,747)	64	48,388	14,705
Purchase of capital assets	5,308	-	(5,308)	-
Repayment of long-term debt	17,285	-	(17,285)	-
Transfers of net assets	7,221	-	(7,221)	-
Net assets, end of year	\$ -	\$ 40,721	\$ 100,953	\$ 141,674

December 31, 2016	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 23,077	\$ 20,321	\$ 88,911	\$ 132,309
Excess (deficiency) of revenue over expenses	(40,971)	336	35,295	(5,340)
Purchase of capital assets	4,713	-	(4,713)	-
Repayment of long-term debt	17,114	-	(17,114)	-
Transfer of net assets	-	20,000	20,000	-
Net assets, end of year	\$ 3,933	\$ 40,657	\$ 82,379	\$ 126,969

See accompanying notes to financial statements.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016
(Unaudited)

	2017	2016
Cash provided by (used in):		
Operating activities:		
Cash received from City of Kelowna	\$ 929,294	\$ 912,035
Cash received from other revenues	56,505	46,739
Cash paid to suppliers and employees	(930,987)	(931,744)
Interest paid	(864)	(1,395)
	53,948	25,635
Financing activities:		
Repayment of long-term debt	(17,285)	(17,114)
Investing activities:		
Transfer to restricted cash and cash equivalents	(64)	(20,336)
Purchase of capital assets	(5,308)	(4,713)
	(5,372)	(25,049)
Increase (decrease) in cash	31,291	(16,528)
Cash, beginning of year	86,081	102,609
Cash, end of year	\$ 117,372	\$ 86,081

See accompanying notes to financial statements.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements

Year ended December 31, 2017

(Unaudited)

Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society") is a non-profit association, registered under the Society Act (British Columbia), of businesses and individuals whose purpose is to promote the downtown as a safe and desirable place to conduct business, live, work and play through the cooperative and collective efforts of its members and government. The Society is a non-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Society's significant accounting policies are as follows:

(a) Internally restricted net assets:

Internally restricted net assets consists of a contingency reserve established by the Board for approved expenses. The reserve is fully funded at all times and interest earned is retained within the reserve.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash and short-term, liquid instruments readily convertible into cash.

(c) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When Society's management determines that some or all of its capital assets no longer contribute to the Society's ability to carry out its operations, the carrying amount of the capital assets are written down to their residual value. Amortization is provided using the straight-line method and the following annual rates:

Asset	Rate
Equipment	10-30%
Furniture and fixtures	25%
Computer equipment	30%
Leasehold improvements	lesser of remaining lease term and 20%

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2017

(Unaudited)

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which include membership levy and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

(e) Contributed services:

Individuals and organizations contribute numerous volunteer hours each year to assist the Society in carrying out its operations. Because of the difficulty in determining the fair value of the contributed services, they are not recognized in these financial statements.

(f) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of the Society's capital assets. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2017

(Unaudited)

2. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 185,812	\$ 185,812	\$ -	\$ 28,262
Furniture and fixtures	45,320	38,213	7,107	4,731
Computer equipment	4,734	3,345	1,389	2,146
Leasehold improvements	8,981	6,287	2,694	4,490
	\$ 244,847	\$ 233,657	\$ 11,190	\$ 39,629

3. Long-term debt:

	2017	2016
City of Kelowna sidewalker sweeper acquisition loan, payable in monthly instalments of \$1,374, including interest at 3.5%, due December 2018	\$ 16,016	\$ 31,505
Tenant improvement loan, non-interest bearing and payable in monthly instalments of \$150, due April 2019	2,395	4,191
	18,411	35,696
Less current portion due within the next fiscal year	17,812	17,805
	\$ 599	\$ 17,891

Scheduled principal payments on long term debt to maturity are as follows:

2018	\$ 17,812
2019	599
	\$ 18,411

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2017

(Unaudited)

4. Commitments:

The Society leases its office space under an operating lease, expiring April 30, 2019. The lease terms provide for base annual rent of \$16,596 plus additional lease costs for common area costs, utilities, property taxes and management fees. The total base annual rent over the remaining lease term totals approximately \$22,100.

5. Remuneration paid to directors, employees and contractors:

In accordance with the Societies Act (British Columbia) Section 36.1 and Societies Regulation 9.2(b):

The Directors of the Society receive no remuneration for the performance of their responsibilities as Directors.

For fiscal year ending December 31, 2017, the Society did not pay annual remuneration of \$75,000 or greater to any employees. Remuneration includes wages and taxable benefits.

6. Financial risks:

(a) Economic dependence:

The Society receives funding from the City of Kelowna through a member levy charged and collected by the City through its property tax system. The Society also receives other grant funding from the City and from federal and provincial government programs. Future operations of the Society depend on the continuation of funding from the City of Kelowna and renewal of the City's membership levy by-law. The current by-law was renewed for a five year term, expiring December 31, 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY
2018 BUDGET

Revenue	2018 Budget	2017 Year End
Membership Levy	887,407	857,261
Downtown On Call	45,000	45,000
Downtown Clean Team	50,000	47,462
Events	42,750	45,932
Downtown Concierge	3,700	7,636
Marketing and Promotions, Other	2,200	3,747
Interest	165	298
	1,031,222	1,007,336
Expenses		
Amortization	-	33,747
Business Recruitment	7,175	6,198
Clean Team	194,622	156,330
Communications	4,800	4,092
Downtown Concerige	9,050	18,517
Downtown On Call	343,662	244,455
Events	82,220	73,766
Insurance	8,200	7,966
Interest on long term debt	308	864
Marketing and Promotions	71,300	77,099
Office and Administration	36,690	35,320
Professional Development	3,250	8,804
Professional Fees	13,200	17,241
Rent	32,130	28,295
Wages and Benefits	291,393	277,938
	1,098,000	990,632
Excess/Loss of revenues over expenses	(66,778)	16,704
Net assets, beginning of Year	143,673	126,969
Net assests, end of Year	76,895	143,673

Downtown Kelowna Association Board of Directors (DKA)

Our AGM is held beginning of June each year and Board members (may) change at that time.

Jan 1 2016 - Jun 7 2017

President – Dan Allen, Doc Willoughby's Public House

Vice President – Yarden Gershony, Rush Ihas Hardwick LLP

Treasurer – Rob Collins, Grant Thornton LLP

Secretary – Angie Bricker, Georgie Girl Vintage

Past President - Dustin Sargent, Davara Enterprises & Streaming Café

Ex-Officio - Councillor Maxine Dehart, City of Kelowna

Brent Lobson, Imperial Parking

Jan Johnson, Tigerlily Fashions

Jason Guyitt, Delta Hotels by Marriott Grand

Jim Meiklejohn, Meiklejohn Architects

Nikki Csek, Csek Creative & KelownaNow

Renata Mills, Festivals Kelowna

Renee Wasylyk, Troika Developments

Trevor Neill, Mosaic Books

Jun 7 2017 - Dec 31 2017

President – Dan Allen, Doc Willoughby's Public House

Vice President – Yarden Gershony, Rush Ihas Hardwick LLP

Treasurer – Rob Collins, Grant Thornton LLP

Secretary – Nikki Csek, Csek Creative & KelownaNow

Past President - N/A

Ex-Officio - Councillor Maxine Dehart, City of Kelowna

Brent Lobson, Imperial Parking

Brian Stephenson, Pushor Mitchell

Jan Johnson, Tigerlily Fashions

Jason Guyitt, Delta Hotels by Marriott Grand

Kyle Spence, Downtown Marina & Westcorp

Nikki Csek, Csek Creative & KelownaNow

Renata Mills, Festivals Kelowna

Shane Austin, Okanagan coLab

Teghan Gordy, Naked Café

Trevor Neill, Mosaic Books