

# Schedule B

Financial Statements of

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

Year ended December 31, 2015  
(Unaudited)



**KPMG LLP**  
200-3200 Richter Street  
Kelowna BC V1W 5K9  
Canada

Telephone (250) 979-7150  
Fax (250) 763-0044  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## REVIEW ENGAGEMENT REPORT

To the Members of Kelowna Downtown Business Improvement Area Society

We have reviewed the statement of financial position of the Kelowna Downtown Business Improvement Area Society (Operating as Downtown Kelowna Association) as at December 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Society.

A review does not constitute an audit and, consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are stylized and cursive, with the 'K' and 'P' being particularly prominent.

Chartered Professional Accountants

February 10, 2016

Kelowna, Canada

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)  
Statement of Financial Position

December 31, 2015, with comparative information for 2014  
(Unaudited)

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 102,609	\$ 52,008
Restricted cash and cash equivalents	20,321	20,160
Accounts receivable	4,708	5,294
Prepaid expenses and deposits	14,759	15,955
	<u>142,397</u>	<u>93,417</u>
Capital assets (note 2)	75,887	119,907
	<u>\$ 218,284</u>	<u>\$ 213,324</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 33,165	\$ 34,409
Current portion of long term debt	17,114	16,446
	<u>50,279</u>	<u>50,855</u>
Long-term debt (note 3)	35,696	52,805
Net assets:		
Invested in capital assets	23,077	50,656
Internally restricted	20,321	20,160
Unrestricted	88,911	38,848
	<u>132,309</u>	<u>109,664</u>
Commitments (note 4)		
	<u>\$ 218,284</u>	<u>\$ 213,324</u>

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, 2015, with comparative information for 2014

(Unaudited)

	2015	2014
<b>Revenues:</b>		
Membership levy	\$ 804,353	\$ 780,850
Downtown on call	45,000	45,000
Clean team	42,237	39,738
Events	38,813	36,870
Downtown Concierge	11,249	8,839
Marketing and promotion	2,152	2,311
Interest	161	160
Amortization of deferred capital contributions	-	4,365
	<u>943,965</u>	<u>918,133</u>
<b>Expenses:</b>		
Amortization of capital assets	45,461	32,365
Business recruitment	7,335	6,560
Clean team	110,380	98,431
Communications	4,443	4,459
Downtown concierge	17,963	18,133
Downtown on call	216,192	219,320
Events	72,045	65,210
Insurance	8,025	7,321
Interest on long term debt	1,922	1,148
Marketing and promotion	106,559	114,918
Office and administration	32,073	41,895
Professional development	7,147	5,113
Professional fees	14,188	12,429
Rent	26,933	25,412
Wages and benefits	250,654	256,730
	<u>921,320</u>	<u>909,444</u>
<b>Excess of revenues over expenses</b>	<u>\$ 22,645</u>	<u>\$ 8,689</u>

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, 2015, with comparative information for 2014

(Unaudited)

<b>December 31, 2015</b>	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 50,656	\$ 20,160	\$ 38,848	\$ 109,664
Excess (deficiency) of revenues over expenses	(45,461)	161	67,945	22,645
Purchase of capital assets	1,441	-	(1,441)	-
Repayments of long term debt	16,441	-	(16,441)	-
<b>Net assets, end of year</b>	<b>\$ 23,077</b>	<b>\$ 20,321</b>	<b>\$ 88,911</b>	<b>\$ 132,309</b>

<b>December 31, 2014</b>	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 21,443	\$ -	\$ 79,532	\$ 100,975
Excess (deficiency) of revenues over expenses	(28,000)	160	36,529	8,689
Purchase of capital assets	126,463	-	(126,463)	-
Proceeds from long term debt	(77,545)	-	77,545	-
Repayment of long term debt	8,295	-	(8,295)	-
Transfer of net assets	-	20,000	(20,000)	-
<b>Net assets, end of year</b>	<b>\$ 50,656</b>	<b>\$ 20,160</b>	<b>\$ 38,848</b>	<b>\$ 109,664</b>

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, 2015, with comparative information for 2014

(Unaudited)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 804,353	\$ 780,850
Cash received from City of Kelowna	89,388	87,049
Cash received from other revenues	50,809	43,345
Cash paid to suppliers and employees	(873,984)	(877,615)
Interest paid	(1,922)	(1,148)
	<u>68,644</u>	<u>32,481</u>
Financing activities:		
Proceeds from long term debt	-	77,545
Repayment of long term debt	(16,441)	(8,295)
	<u>(16,441)</u>	<u>69,250</u>
Investing activities:		
Increase in restricted cash and cash equivalents	(161)	(20,160)
Purchase of capital assets	(1,441)	(126,463)
	<u>(1,602)</u>	<u>(146,623)</u>
Increase (decrease) in cash and cash equivalents	50,601	(44,892)
Cash and cash equivalents, beginning of year	52,008	96,900
Cash and cash equivalents, end of year	<u>\$ 102,609</u>	<u>\$ 52,008</u>

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, 2015

(Unaudited)

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Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society") is a non-profit association, registered under the Society Act of the Province of 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 use for Board approved expenses. The reserve is fully funded at all times and interest earned by the reserved 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:

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

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# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)  
Notes to Financial Statements (continued)

Year ended December 31, 2015  
(Unaudited)

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## 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.

Deferred capital contributions represent the unamortized amount of funding received for capital asset purchases, the amortization of which is recognized in the statement of operations on the same basis as the related capital asset amortization.

### (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, 2015

(Unaudited)

## 2. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 185,812	\$ 122,587	\$ 63,225	\$ 101,950
Furniture and fixtures	37,825	32,001	5,824	8,659
Computer equipment	2,209	1,657	552	1,215
Leasehold improvements	8,981	2,695	6,286	8,083
	\$ 234,827	\$ 158,940	\$ 75,887	\$ 119,907

## 3. Long-term debt:

	2015	2014
City of Kelowna sidewalker sweeper acquisition loan, payable in monthly instalments of \$1,374, including interest at 3.5%, due December 2018	\$ 46,822	\$ 61,468
Tenant improvement loan, non-interest bearing and payable in monthly instalments of \$150, due April 2019	5,987	7,783
	52,810	69,251
Less current portion due within the next fiscal year	17,114	16,446
	\$ 35,696	\$ 52,805

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

2016	\$ 17,114
2017	17,805
2018	17,292
2019	599
	\$ 52,810

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2015

(Unaudited)

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## 4. Commitments:

The Society lease 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 \$55,300.

## 5. Financial risks:

### (a) Economic dependence:

The Society collects its member levies revenue through a by-law with the City of Kelowna pursuant to which the levies are collected through the property tax system and the Society receives annual federal and municipal funding from current programs. Future operations of the Society depend on the continuation of this revenue and renewal of this 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 2014.

**DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY  
2016 BUDGET Revised**

	<b>2016 Budget</b>	<b>2015 Year End</b>
<b>Revenue</b>		
Membership Levy	828,404	804,353
Downtown On Call	45,000	45,000
Downtown Clean Team	39,000	42,237
Events	39,500	38,813
Downtown Concierge	10,000	11,249
Marketing and Promotions	2,365	2,152
Interest	161	161
	<b>964,430</b>	<b>943,965</b>
<b>Expenses</b>		
Amortization	43,478	45,461
Business Recruitment	7,547	7,335
Clean Team	128,826	110,380
Communications	5,218	4,443
Downtown Concerige	18,571	17,963
Downtown On Call	230,639	216,192
Events	67,750	72,045
Insurance	7,171	8,025
Interest on long term debt	1,395	1,922
Marketing and Promotions	130,515	106,559
Office and Administration	35,010	32,073
Professional Development	8,300	7,147
Professional Fees	13,850	14,188
Rent	28,730	26,933
Wages and Benefits	267,432	250,654
	<b>994,430</b>	<b>921,320</b>
<b>Excess/Loss of revenues over expenses</b>	<b>(30,000)</b>	<b>22,645</b>
<b>Net assets, beginning of Year</b>	<b>109,664</b>	<b>109,664</b>
<b>Net assests, end of Year</b>	<b>132,309</b>	<b>132,309</b>

# DOWNTOWN KELOWNA

January 1, 2016

The Downtown Kelowna Association Board of Directors is voted by annually by the membership and serve a two year term. Any property owner, leasee, or tenant located within the Downtown BIA boundary is eligible for nomination and election.

**Downtown Kelowna Association Board of Directors current listing:**

**President** – Dustin Sargent, *Davara Enterprises & Streaming Café*

**Vice President** – Dan Allen, *Doc Willoughby's Public House*

**Treasurer** – Rob Collins, *Grant Thornton LLP*

**Secretary** – Yarden Gershony, *Rush Ihas Hardwick LLP*

**Ex-Officio** - Councillor Maxine Dehart, *City of Kelowna*

Angie Bricker, *Georgie Girl Vintage*

Brent Lobson, *Imperial Parking*

Jan Johnson, *Tigerlily Fashions*

Jim Meiklejohn, *Meiklejohn Architects*

Luigi Coccaro, *La Bussola Restaurant & Curious Café*

Perry Freeman, *Colliers International*

Renata Mills, *Festivals Kelowna*

Renee Wasyluk, *Troika Developments*

Trevor Neill, *Mosaic Books*

200 – 287 Bernard Avenue  
Kelowna, British Columbia V1Y 6N2  
downtownkelowna.com

The Downtown Kelowna Association (DKA) is a registered not-for-profit society with a mission to ensure the Downtown Kelowna neighbourhood is a safe and desirable place to conduct business, live and work. The DKA officially became an entity in November 1989 funded through an improvement levy collected by the municipality from commercial properties in the area. The annual levy becomes the Association's base operating budget upon which the organization leverages additional funding from partners, including various levels of governments and corporate sponsors, to support programs and initiatives.