

# SCHEDULE B

Financial Statements of

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

Year ended December 31, 2018  
(Unaudited)



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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, 2018, the statements of operations, 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, 2018, 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

February 28, 2019

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY


(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)  
Statement of Financial Position

December 31, 2018, with comparative information for 2017  
(Unaudited)

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 165,966	\$ 117,372
Restricted cash and cash equivalents	41,193	40,721
Accounts receivable	7,233	32,647
Prepaid expenses and deposits	231	6,340
	<u>214,623</u>	<u>197,080</u>
Capital assets (note 2)	9,946	11,190
	<u>\$ 224,569</u>	<u>\$ 208,270</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 33,708	\$ 48,185
Current portion of long-term debt	599	17,812
	<u>34,307</u>	<u>65,997</u>
Long-term debt	-	599
	<u>34,307</u>	<u>66,596</u>
Net assets:		
Invested in capital assets	9,347	-
Internally restricted	41,193	40,721
Unrestricted	139,722	100,953
	<u>190,262</u>	<u>141,674</u>
Commitments (note 4)		
	<u>\$ 224,569</u>	<u>\$ 208,270</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, 2018, with comparative information for 2017

(Unaudited)

	2018	2017
<b>Revenue:</b>		
City of Kelowna - membership levy	\$ 887,407	\$ 857,261
Clean team	45,853	47,462
Downtown on call	45,000	45,000
Events	31,078	45,932
Downtown concierge	6,243	7,636
Other	2,930	4,046
	<u>1,018,511</u>	<u>1,007,337</u>
<b>Expenses:</b>		
Amortization	5,964	33,747
Business recruitment	8,776	6,198
Clean team	144,556	156,330
Communications	4,921	4,092
Downtown concierge	7,281	18,517
Downtown on call	307,772	244,455
Events	74,334	73,766
Insurance	15,219	7,966
Interest on long-term debt	955	864
Marketing and promotion	45,518	77,099
Office and administration	41,477	37,320
Professional development	6,688	8,804
Professional fees	10,786	17,241
Rent	31,337	28,295
Wages and benefits	264,339	277,938
	<u>969,923</u>	<u>992,632</u>
<b>Excess of revenue over expenses</b>	<u>\$ 48,588</u>	<u>\$ 14,705</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, 2018, with comparative information for 2017

(Unaudited)

<b>December 31, 2018</b>	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ -	\$ 40,721	\$ 100,953	\$ 141,674
Excess (deficiency) of revenue over expenses	(5,964)	472	54,080	48,588
Purchase of capital assets	4,720	-	(4,720)	-
Repayment of long-term debt	17,812	-	(17,812)	-
Transfer of net assets	(7,221)	-	7,221	-
<b>Net assets, end of year</b>	<b>\$ 9,347</b>	<b>\$ 41,193</b>	<b>\$ 139,722</b>	<b>\$ 190,262</b>

<b>December 31, 2017</b>	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)	-
Transfer of net assets	7,221	-	(7,221)	-
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 40,721</b>	<b>\$ 100,953</b>	<b>\$ 141,674</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, 2018, with comparative information for 2017

(Unaudited)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Cash received from City of Kelowna	\$ 1,008,657	\$ 929,294
Cash received from other revenues	35,268	56,505
Cash paid to suppliers and employees	(971,372)	(930,987)
Interest paid	(955)	(864)
	<u>71,598</u>	<u>53,948</u>
Financing activities:		
Repayment of long-term debt	(17,812)	(17,285)
Investing activities:		
Transfer to restricted cash and cash equivalents	(472)	(64)
Purchase of capital assets	(4,720)	(5,308)
	<u>(5,192)</u>	<u>(5,372)</u>
Increase in cash	48,594	31,291
Cash, beginning of year	117,372	86,081
Cash, end of year	<u>\$ 165,966</u>	<u>\$ 117,372</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, 2018  
(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 (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:

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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, 2018

(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 (including municipal and federal grants for clean team, downtown on call and downtown conceirge). 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, 2018

(Unaudited)

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## 2. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 131,448	\$ 131,448	\$ -	\$ -
Furniture and fixtures	48,781	41,435	7,346	7,107
Computer equipment	5,994	4,292	1,702	1,389
Leasehold improvements	8,981	8,083	898	2,694
	<u>\$ 195,204</u>	<u>\$ 185,258</u>	<u>\$ 9,946</u>	<u>\$ 11,190</u>

## 3. Related party transactions:

During the year ended December 31, 2018, the Society incurred professional fees of \$2,332 and parking fees (expensed in wages and benefits expense) totaling \$4,309 to entities affiliated with its Directors.

These transactions are in the normal course of operations or business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 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 \$5,530.

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

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

Year ended December 31, 2018  
(Unaudited)

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## 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, 2018, 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, 2023.

### (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 2017.

**DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY  
2019 BUDGET**

<b>Revenue</b>	<b>2019 Budget</b>	<b>2018 Year End</b>
Membership Levy	924,198	887,407
Downtown On Call	70,000	45,000
Downtown Clean Team	100,000	45,853
Events	41,050	31,078
Downtown Concierge	3,700	6,243
Marketing and Promotions, Other	-	2,808
Interest	270	122
	<b>1,139,218</b>	<b>1,018,511</b>
<b>Expenses</b>	<b>2019 Budget</b>	<b>2018 Year End</b>
Amortization	-	5,964
Business Recruitment	7,200	8,776
Clean Team	187,968	144,556
Communications	5,205	4,921
Downtown Concierge	9,625	7,281
Downtown On Call	408,601	307,772
Events	77,450	74,334
Insurance	8,471	15,219
Interest on long term debt	-	955
Marketing and Promotions	77,750	45,518
Office and Administration	39,975	41,477
Professional Development	4,000	6,688
Professional Fees	12,700	10,786
Rent	34,485	31,337
Wages and Benefits	291,393	264,339
	<b>1,164,823</b>	<b>969,923</b>
<b>Excess/Loss of revenues over expenses</b>	<b>(25,605)</b>	<b>48,588</b>
<b>Net assets, beginning of Year</b>	<b>190,262</b>	<b>141,674</b>
<b>Net assests, end of Year</b>	<b>164,657</b>	<b>190,262</b>

## **Downtown Kelowna Association Board of Directors (DKA)**

The Downtown Kelowna Association Board of Directors (13 voting members) is voted annually by the membership and serve a two year term. Any property owner, leasee, or tenant of Class 5 or 6 property located within the Downtown BIA boundary is eligible for nomination and election.

### **Jan 1 2018 - Jun 6 2018**

**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  
Nikki Csek - Csek Creative and Kelowna Now  
Jason Guyitt - Delta Hotels by Marriott Grand Okanagan Resort  
Jan Johnson, Tigerlily Fashions  
Brent Lobson, Impark  
Jim Meiklejohn, Meiklejohn Architects  
Renata Mills, Festivals Kelowna  
Trevor Neill, Mosaic Books and BookManager  
Renee Wasylyk, Troika Developments

### **Jun 6 2018 - June 5 2019**

**President** – Yarden Gershony, Rush Ihas Hardwick LLP  
**Vice President** – N/A  
**Treasurer** – Rob Collins, Grant Thornton LLP  
**Secretary** – Brian Stephenson, Pushor Mitchell LLP  
**Past President** - Dan Allen, Doc Willoughby's Public House  
Shane Austin, Okanagan coLab  
Kate Deglow, Lexlaur Properties  
Teghan Gordey, The Naked Café  
Steve Harvey, Business Finders  
Jan Johnson, Tigerlily Fashions  
Brent Lobson, Impark  
Renata Mills, Festivals Kelowna  
Kyle Spence, Downtown Marina & Westcorp