

Financial Statements of

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

Year ended December 31, 2020  
(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, 2020, 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, 2020, 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 that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Kelowna, Canada

February 3, 2021

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

## Statement of Financial Position

December 31, 2020, with comparative information for 2019  
(Unaudited)

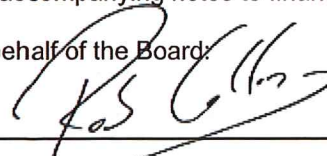
	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 230,592	\$ 178,792
Restricted cash and cash equivalents	42,448	41,801
Accounts receivable	89,384	2,990
Prepaid expenses	185	-
	362,609	223,583
Tangible capital assets (note 2)	70,526	32,342
	<u>\$ 433,135</u>	<u>\$ 255,925</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,208	\$ 28,094
Net assets:		
Invested in tangible capital assets	70,526	32,342
Internally restricted	42,448	41,801
Unrestricted	295,953	153,688
	408,927	227,831
Commitments (note 4)		
	<u>\$ 433,135</u>	<u>\$ 255,925</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, 2020, with comparative information for 2019  
(Unaudited)

	2020	2019
Revenue:		
City of Kelowna - membership levy	\$ 1,067,297	\$ 924,198
Clean team	89,290	104,201
Downtown concierge	-	7,303
Downtown on call	70,000	70,000
Events	14,587	42,424
Other	703	608
Recovery	15,000	-
	1,256,877	1,148,734
Expenses:		
Amortization	18,830	6,399
Business recruitment	320	5,734
Clean team	158,638	172,953
Communications	5,596	5,836
Downtown concierge	-	8,367
Downtown on call	389,892	369,940
Events	37,221	70,915
Insurance	7,540	8,325
Marketing and promotion	52,725	51,498
Office and administration	33,754	76,041
Professional development	544	2,140
Professional fees	17,990	8,159
Rent	32,520	33,296
Wages and benefits	320,211	291,562
	1,075,781	1,111,165
Excess of revenue over expenses	\$ 181,096	\$ 37,569

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, 2020, with comparative information for 2019  
(Unaudited)

<b>December 31, 2020</b>	Invested in tangible capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 32,342	\$ 41,801	\$ 153,688	\$ 227,831
Excess (deficiency) of revenue over expenses	(18,830)	647	199,279	181,096
Purchase of tangible capital assets	57,014	-	(57,014)	-
Net assets, end of year	\$ 70,526	\$ 42,448	\$ 295,953	\$ 408,927

<b>December 31, 2019</b>	Invested in tangible capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 9,347	\$ 41,193	\$ 139,722	\$ 190,262
Excess (deficiency) of revenue over expenses	(6,399)	608	43,360	37,569
Purchase of tangible capital assets	31,919	-	(31,919)	-
Repayment of long-term debt	599	-	(599)	-
Transfer of net assets	(3,124)	-	3,124	-
Net assets, end of year	\$ 32,342	\$ 41,801	\$ 153,688	\$ 227,831

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, 2020, with comparative information for 2019  
(Unaudited)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Cash received from City of Kelowna	\$ 1,137,646	\$ 1,098,622
Cash received from other revenues	17,838	54,354
Cash paid to suppliers and employees	(1,046,023)	(1,110,148)
	109,461	42,828
Financing activities:		
Repayment of long-term debt	-	(599)
Investing activities:		
Transfer to restricted cash and cash equivalents	(647)	(608)
Purchase of tangible capital assets	(57,014)	(31,919)
Proceeds on disposal of tangible capital assets	-	3,124
	(57,661)	(29,403)
Increase in cash	51,800	12,826
Cash, beginning of year	178,792	165,966
Cash, end of year	\$ 230,592	\$ 178,792

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, 2020

(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.

In March 2020, the World Health organization ("WHO") declared the novel coronavirus (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian government, to enact emergency measures to combat the spread of the virus. These measures, which include social distancing, the implementation of travel bans, and closures of non-essential businesses, have caused material disruption to businesses globally, resulting in an economic slowdown. The extent to which COVID-19 will impact future operations will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19, its impact on worldwide macroeconomic conditions, including interest rates and market prices, and governmental and business reactions to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect is not known at this time.

## 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.



# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

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## 1. Significant accounting policies (continued):

### (c) Tangible capital assets:

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

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

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### (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 concierge). 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.

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

## 1. Significant accounting policies (continued):

### (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 tangible 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.

## 2. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 186,830	\$ 147,704	\$ 39,126	\$ 22,518
Furniture and fixtures	58,765	48,984	9,781	7,635
Computer equipment	17,562	7,943	9,619	2,189
Website	12,000	-	12,000	-
Leasehold improvements	8,981	8,981	-	-
	\$ 284,138	\$ 213,612	\$ 70,526	\$ 32,342

Amortization on the website will commence when the asset is available for use in fiscal 2021.

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

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### 3. Related party transactions:

During the normal course of its operations, the Society enters into transactions with Downtown Kelowna business, including entities affiliated with its Directors. These transactions 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, 2024. The lease terms provide for base annual rent payments as outlined below plus additional lease costs for common area costs, utilities, property taxes and management fees.

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2021	\$	17,800
2022		18,400
2023		20,800
2024		6,800
		<hr/>
		\$ 63,800

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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.

As required by the Societies Act (British Columbia), the Society paid total remuneration, including benefits of \$75,000 or greater to one employee for services.

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

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## 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 expires 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 2019.

**DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY**  
**2021 BUDGET**

<b>Revenue</b>	<b>2021 Budget</b>	<b>2020 Year End</b>
Membership Levy	1,126,084	1,067,297
Downtown On Call	70,000	70,000
Downtown Clean Team	60,000	89,290
Events	15,000	14,587
Downtown Summer Team	26,656	-
Recovery		15,000
Other	-	703
	<b>1,297,740</b>	<b>1,256,877</b>
<b>Expenses</b>	<b>2021 Budget</b>	<b>2020 Year End</b>
Amortization	-	18,830
Business Recruitment	500	320
Clean Team	240,000	158,638
Communications	6,000	5,596
Downtown Summer Team	48,790	-
Downtown On Call	470,000	389,892
Events	75,500	37,221
Insurance	8,000	7,540
Interest on long term debt	-	-
Marketing and Promotions	110,000	52,725
Office and Administration	30,000	33,754
Professional Development	1,000	544
Professional Fees	18,000	17,990
Rent	35,700	32,520
Wages and Benefits	332,160	320,211
	<b>1,375,650</b>	<b>1,075,781</b>
<b>Excess/Loss of revenues over expenses</b>	<b>(77,910)</b>	<b>181,096</b>
<b>Net assets, beginning of Year</b>	<b>409,027</b>	<b>227,931</b>
<b>Net assests, end of Year</b>	<b>331,117</b>	<b>409,027</b>



# DOWNTOWN KELOWNA

July 10, 2019

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

## **Downtown Kelowna Association Board of Directors:**

### **President**

Yarden Gershony, Rush Ihas Hardwick LLP [ygershony@rihlaw.com](mailto:ygershony@rihlaw.com)

### **Vice President**

Brian Stephenson, Pushor Mitchell LLP [stephenson@pushormitchell.com](mailto:stephenson@pushormitchell.com)

### **Treasurer**

Rob Collins, Grant Thornton LLP [rob.collins@ca.gt.com](mailto:rob.collins@ca.gt.com)

### **Secretary**

Renata Mills, Festivals Kelowna [rmills@festivalskelowna.com](mailto:rmills@festivalskelowna.com)

### **Past President - N/A**

### **Directors**

Taiya Ahola, Strawhouse	<a href="mailto:taiya@strawhouse.com">taiya@strawhouse.com</a>
Shane Austin, Okanagan coLab	<a href="mailto:shane@okcolab.com">shane@okcolab.com</a>
Caroline Bye, Kelowna Yacht Club	<a href="mailto:cbye@kelownayachtclub.com">cbye@kelownayachtclub.com</a>
Steve Harvey, Business Finders	<a href="mailto:steve@businessfinderscanada.com">steve@businessfinderscanada.com</a>
David Kemp, FH&P Lawyers LLP	<a href="mailto:dkemp@fhplawyers.com">dkemp@fhplawyers.com</a>
Brent Lobson, Impark	<a href="mailto:blobson@impark.com">blobson@impark.com</a>
Oktawian Kobryn, Cactus Club Café	<a href="mailto:oktawiankobryn@cactusclubcafe.com">oktawiankobryn@cactusclubcafe.com</a>
Kyle Spence, Downtown Marina & Westcorp	<a href="mailto:kspence@westcorp.net">kspence@westcorp.net</a>
Luke Turri, Mission Group	<a href="mailto:lturri@missiongroup.ca">lturri@missiongroup.ca</a>

### **Ex-Officio**

Councillor Charlie Hodge, City of Kelowna [chodge@kelowna.ca](mailto:chodge@kelowna.ca)

### **DKA Staff Contacts**

<https://www.downtownkelowna.com/members-association/contact/>

200 – 287 Bernard Avenue  
Kelowna, British Columbia V1Y 6N2  
[downtownkelowna.com](http://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.