

Financial Statements of

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

Year ended December 31, 2021



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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, 2021, 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, 2021, 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.

KPMG LLP

Chartered Professional Accountants

Kelowna, Canada

March 2, 2022

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 330,498	\$ 230,592
Restricted cash and cash equivalents	42,637	42,448
Accounts receivable	6,898	89,384
Prepaid expenses	1,596	185
	<u>381,629</u>	<u>362,609</u>
Capital assets (note 2)	69,185	70,526
	<u>\$ 450,814</u>	<u>\$ 433,135</u>

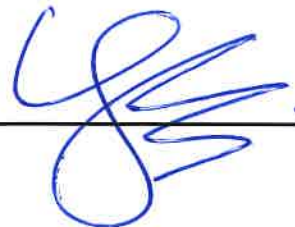
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 41,817	\$ 24,208
Net assets:		
Invested in capital assets	69,185	70,526
Internally restricted	42,637	42,448
Unrestricted	<u>297,175</u>	<u>295,953</u>
	408,997	408,927
Commitments (note 4)		
	<u>\$ 450,814</u>	<u>\$ 433,135</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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Membership levy	\$ 1,126,084	\$ 1,067,297
Clean team	58,982	89,290
Downtown concierge	21,280	-
Downtown on call	70,000	70,000
Events	17,206	14,587
Other	485	703
Recovery	-	15,000
	<u>1,294,037</u>	<u>1,256,877</u>
Expenses:		
Amortization	32,674	18,830
Business recruitment	-	320
Clean team	189,450	158,638
Communications	4,833	5,596
Downtown concierge	42,235	-
Downtown on call	485,758	389,892
Events	42,959	37,221
Insurance	9,679	7,540
Marketing and promotion	124,494	52,725
Office and administration	47,150	33,754
Professional development	922	544
Professional fees	19,116	17,990
Rent	38,814	32,520
Wages and benefits	255,883	320,211
	<u>1,293,967</u>	<u>1,075,781</u>
Excess of revenue over expenses	\$ 70	\$ 181,096

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, 2021, with comparative information for 2020

December 31, 2021	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 70,526	\$ 42,448	\$ 295,953	\$ 408,927
Excess (deficiency) of revenue over expenses	(32,674)	189	32,555	70
Purchase of capital assets	31,333	-	(31,333)	-
Net assets, end of year	\$ 69,185	\$ 42,637	\$ 297,175	\$ 408,997

December 31, 2020	Invested in 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 capital assets	57,014	-	(57,014)	-
Net assets, end of year	\$ 70,526	\$ 42,448	\$ 295,953	\$ 408,927

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Cash received from City of Kelowna	\$ 1,360,337	\$ 1,137,646
Cash received from other revenues	16,186	17,838
Cash paid to suppliers and employees	(1,245,095)	(1,046,023)
	131,428	109,461
Investing activities:		
Transfer to restricted cash and cash equivalents	(189)	(647)
Purchase of capital assets	(31,333)	(57,014)
	(31,522)	(57,661)
Increase in cash	99,906	51,800
Cash, beginning of year	230,592	178,792
Cash, end of year	\$ 330,498	\$ 230,592

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, 2021

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 declared the novel coronavirus (COVID-19) outbreak a pandemic. This 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. 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 and its impact on worldwide macroeconomic conditions. 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, 2021

1. Significant accounting policies (continued):

(c) Capital assets:

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 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:

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

(d) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which include the membership levy, administered by the City of Kelowna, 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, 2021

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. 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.

2. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 186,830	\$ 164,318	\$ 22,512	\$ 39,126
Furniture and fixtures	60,768	53,259	7,509	9,781
Computer equipment	19,566	12,028	7,538	9,619
Website	39,325	7,699	31,626	12,000
Leasehold improvements	8,981	8,981	-	-
	\$ 315,470	\$ 246,285	\$ 69,185	\$ 70,526

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

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

Year ended December 31, 2021

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. Future minimum lease payments to maturity are as follows:

2022	\$	19,700
2023		20,800
2024		6,800
	\$	47,300

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, 2021

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 2020.