

Schedule B

Financial Statements of

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

Year ended December 31, 2016
(Unaudited)



KPMG LLP
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REVIEW ENGAGEMENT REPORT

To the Members of Kelowna Downtown Business Improvement Area Society

We have reviewed the statement of financial position of Kelowna Downtown Business Improvement Area Society (Operating as Downtown Kelowna Association) (the "Society") as at December 31, 2016 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'.

Chartered Professional Accountants

February 8, 2017

Kelowna, Canada

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Statement of Financial Position

December 31, 2016, with comparative information for 2015
(Unaudited)


	2016	2015
Assets		
Current assets:		
Cash	\$ 86,081	\$ 102,609
Restricted cash and cash equivalents	40,657	20,321
Accounts receivable	11,110	4,708
Prepaid expenses and deposits	12,993	14,759
	<u>150,841</u>	<u>142,397</u>
Capital assets (note 2)	39,629	75,887
	<u>\$ 190,470</u>	<u>\$ 218,284</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,805	\$ 33,165
Current portion of long-term debt	17,805	17,114
	<u>45,610</u>	<u>50,279</u>
Long-term debt (note 3)	17,891	35,696
	<u>63,501</u>	<u>85,975</u>
Net assets:		
Invested in capital assets	3,933	23,077
Internally restricted	40,657	20,321
Unrestricted	82,379	88,911
	<u>126,969</u>	<u>132,309</u>
Commitments (note 4)		
	<u>\$ 190,470</u>	<u>\$ 218,284</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, 2016, with comparative information for 2015.
(Unaudited)

	2016	2015
Revenue:		
Membership levy	\$ 828,626	\$ 804,353
Downtown on call	45,000	45,000
Clean team	40,150	42,237
Events	37,663	38,813
Downtown concierge	11,058	11,249
Marketing and promotion	2,343	2,152
Interest	336	161
	965,176	943,965
Expenses:		
Amortization of capital assets	40,971	45,461
Business recruitment	6,450	7,335
Clean team	118,552	110,380
Communications	4,597	4,443
Downtown concierge	19,884	17,963
Downtown on call	222,250	216,192
Events	72,857	72,045
Insurance	7,882	8,025
Interest on long-term debt	1,395	1,922
Marketing and promotion	131,079	106,559
Office and administration	34,700	32,073
Professional development	6,765	7,147
Professional fees	8,559	14,188
Rent	28,425	26,933
Wages and benefits	266,150	250,654
	970,516	921,320
Excess (deficiency) of revenue over expenses	\$ (5,340)	\$ 22,645

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, 2016, with comparative information for 2015.
 (Unaudited)

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)	-
Transfers of net assets	-	20,000	(20,000)	-
Net assets, end of year	\$ 3,933	\$ 40,657	\$ 82,379	\$ 126,969

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

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, 2016, with comparative information for 2015.
(Unaudited)

	2016	2015
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 828,626	\$ 804,353
Cash received from City of Kelowna	83,409	89,388
Cash received from other revenues	46,739	50,809
Cash paid to suppliers and employees	(931,744)	(873,984)
Interest paid	(1,395)	(1,922)
	25,635	68,644
Financing activities:		
Repayment of long-term debt	(17,114)	(16,441)
Investing activities:		
Transfer to restricted cash and cash equivalents	(20,336)	(161)
Purchase of capital assets	(4,713)	(1,441)
	(25,049)	(1,602)
Increase (decrease) in cash	(16,528)	50,601
Cash, beginning of year	102,609	52,008
Cash, end of year	\$ 86,081	\$ 102,609

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, 2016

(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, 2016

(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, 2016

(Unaudited)

2. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 185,812	\$ 157,550	\$ 28,262	\$ 63,225
Furniture and fixtures	40,012	35,281	4,731	5,824
Computer equipment	4,734	2,588	2,146	552
Leasehold improvements	8,981	4,491	4,490	6,286
	\$ 239,539	\$ 199,910	\$ 39,629	\$ 75,887

3. Long-term debt:

	2016	2015
City of Kelowna sidewalker sweeper acquisition loan, payable in monthly instalments of \$1,374, including interest at 3.5%, due December 2018	\$ 31,505	\$ 46,823
Tenant improvement loan, non-interest bearing and payable in monthly instalments of \$150, due April 2019	4,191	5,987
	35,696	52,810
Less current portion due within the next fiscal year	17,805	17,114
	\$ 17,891	\$ 35,696

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

2017	\$ 17,805
2018	17,292
2019	599
	\$ 35,696

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2016

(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 \$38,700.

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 2015.

**DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY
2017 BUDGET**

	2017 Budget	2016 Year End
Revenue		
Membership Levy	857,398	828,626
Downtown On Call	45,000	45,000
Downtown Clean Team	50,000	40,150
Events	36,500	37,663
Downtown Concierge	11,000	11,058
Marketing and Promotions	2,200	2,343
Interest	165	336
	1,002,263	965,176
Expenses		
Amortization	40,971	40,971
Business Recruitment	7,175	6,450
Clean Team	136,715	118,552
Communications	4,600	4,597
Downtown Concierge	18,871	19,844
Downtown On Call	229,410	222,250
Events	65,581	72,857
Insurance	7,942	7,882
Interest on long term debt	848	1,395
Marketing and Promotions	125,000	131,079
Office and Administration	36,457	34,700
Professional Development	8,000	6,765
Professional Fees	10,233	8,559
Rent	31,128	28,425
Wages and Benefits	306,294	266,150
	1,029,225	970,476
Excess/Loss of revenues over expenses	(26,962)	(5,340)
Net assets, beginning of Year	126,969	132,309
Net assets, end of Year	126,969	126,969

DOWNTOWN KELOWNA

January 1, 2017

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:

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

Ex-Officio - Councillor Maxine DeHart, City of Kelowna

Nikki Csek - Csek Creative and Kelowna Now

Jason Guyitt - Delta Hotels by Marriott Grand Okanagan Resort

Jan Johnson, Tigerlily Fashions

Brent Lobson, Imperial Parking

Jim Meiklejohn, Meiklejohn Architects

Renata Mills, Festivals Kelowna

Trevor Neill, Mosaic Books and BookManager

Renee Wasylyk, Troika Developments

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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.