

DRAFT

**Kelowna Downtown Business
Improvement Area Society
(operating as Downtown Kelowna Association)
Financial Statements
December 31, 2004**

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Review Engagement Report

To the Members of
Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association)

We have reviewed the balance sheet of Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) as at December 31, 2003 and the statements of revenues and expenditures, 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.

Base 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 generally accepted accounting principles.

Chartered Accountants
Kelowna, B.C.
April 1, 2005

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Balance Sheet

December 31 2004 2003
(Unaudited)

Assets

Current

Cash

| | | |
|---------------------|---------------|--------------|
| Unrestricted | \$ 57,151 | \$ 68,442 |
| Parks Alive! | 18,597 | 28,104 |
| Special projects | <u>35,000</u> | <u>7,000</u> |
| | 110,748 | 103,546 |
| Accounts receivable | 17,178 | 15,291 |
| Prepaid expenses | <u>6,661</u> | <u>1,454</u> |
| | 134,587 | 120,291 |

| | | |
|--------------------|-------------------|-------------------|
| Equipment (Note 2) | <u>53,172</u> | <u>1,654</u> |
| | <u>\$ 187,759</u> | <u>\$ 121,945</u> |

Liabilities and Net Assets

Current liabilities

| | | |
|------------------------------------------|---------------|-----------|
| Accounts payable and accrued liabilities | \$ 39,749 | \$ 53,280 |
| Deferred revenue (Note 3) | <u>53,172</u> | <u>-</u> |
| | 92,921 | 53,280 |

Net Assets

| | | |
|------------------------------------------|-------------------|-------------------|
| Invested in equipment | - | 1,654 |
| Restricted for Parks Alive! (Note 4) | 18,597 | 14,587 |
| Restricted for special projects (Note 4) | 35,000 | 7,000 |
| Unrestricted net assets | <u>41,241</u> | <u>45,424</u> |
| | <u>94,838</u> | <u>68,665</u> |
| | <u>\$ 187,759</u> | <u>\$ 121,945</u> |

Commitment (Note 5)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Statement of Revenues and Expenditures

Year Ended December 31

2004

2003

(Unaudited)

Revenues

| | | |
|-----------------------|----------------|----------------|
| Membership levies | \$ 411,000 | \$ 400,000 |
| Parks Alive! | 221,844 | 226,333 |
| Biz Patrol | 37,822 | 19,246 |
| Downtown patrol | 47,000 | 46,625 |
| Events and promotions | 25,545 | 21,346 |
| | <u>743,211</u> | <u>713,550</u> |

Program expenditures

| | | |
|---------------------------|----------------|----------------|
| Parks Alive! | 225,605 | 239,679 |
| Biz Patrol | 36,804 | 22,484 |
| Downtown patrol | 126,891 | 110,822 |
| Events and promotions | 93,406 | 91,006 |
| Recruitment and retention | 2,500 | 2,500 |
| | <u>485,206</u> | <u>446,491</u> |

General and administrative expenditures

| | | |
|-----------------------------------|----------------|----------------|
| Annual general meeting | 909 | 3,581 |
| Amortization | 1,654 | 4,391 |
| Business Improvement Area renewal | 58 | 16,725 |
| Insurance | 9,275 | 3,430 |
| Memberships and dues | 688 | 1,496 |
| Office and miscellaneous | 24,565 | 33,609 |
| Professional development | 11,444 | 10,416 |
| Professional fees | 5,996 | 4,805 |
| Rent | 24,012 | 23,303 |
| Telephone and fax | 7,669 | 4,768 |
| Wages and benefits | 145,562 | 168,251 |
| | <u>231,832</u> | <u>274,775</u> |

| | | |
|----------------------------------------------------------|------------------|--------------------|
| Excess (deficiency) of revenues over expenditures | \$ 26,173 | \$ (27,716) |
|----------------------------------------------------------|------------------|--------------------|

See accompanying notes to the financial statements.

Kelowna Downtown Business Improvement Area Society**(operating as Downtown Kelowna Association)****Statement of Changes in Net Assets**

Year Ended December 31, 2004

(Unaudited)

| | <u>Invested in Equipment</u> | <u>Parks Alive!</u> | <u>Restricted for Special Projects</u> | <u>Unrestricted</u> | 2004 | 2003 |
|-----------------------------------------------------------------|----------------------------------|---------------------|------------------------------------------------|---------------------|-------------------------|-------------------------|
| Net assets, beginning of year | \$ 1,654 | \$ 14,587 | \$ 7,000 | \$ 45,424 | \$ 68,665 | 96,381 |
| Excess (deficiency) of revenues over expenditures | - | (3,761) | - | 29,934 | 26,173 | (27,716) |
| Transfers | | 7,771 | | (7,771) | | |
| Amortization | (1,654) | - | - | 1,654 | - | - |
| Transfer from restricted to unrestricted net assets (Note 3) | - | - | 28,000 | (28,000) | - | - |
| Net assets, end of year | <u>\$ -</u> | <u>\$ 18,597</u> | <u>\$ 35,000</u> | <u>\$ 41,241</u> | <u>\$ 94,838</u> | <u>\$ 68,665</u> |

See accompanying notes to the financial statements

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Statement of Cash Flows

Year Ended December 31

2004

2003

(Unaudited)

Operating activities:

| | | |
|---------------------------------------|------------|------------|
| Cash received City of Kelowna funding | \$ 614,488 | \$ 589,500 |
| Cash received from other revenues | 110,367 | 122,039 |
| Cash paid to suppliers and employees | (716,529) | (699,917) |
| Interest paid | (1,124) | (451) |
| | <hr/> | <hr/> |
| Increase in cash | 7,202 | 11,171 |
| | <hr/> | <hr/> |
| Cash, beginning of year | 103,546 | 92,375 |
| | <hr/> | <hr/> |
| Cash, end of year | \$ 110,748 | \$ 103,546 |
| | <hr/> | <hr/> |
| Cash consists of: | | |
| Unrestricted | \$ 57,151 | \$ 68,442 |
| Parks Alive! | 18,597 | 28,104 |
| Special projects | 35,000 | 7,000 |
| | <hr/> | <hr/> |
| | \$ 110,748 | \$ 103,546 |
| | <hr/> | <hr/> |

See accompanying notes to the financial statements.

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Notes to the Financial Statements

December 31, 2004

(Unaudited)

Nature of Operations

The Kelowna Downtown Business Improvement Area Society operates as the Downtown Kelowna Association. The Society is an organization dedicated to promoting 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 Association was registered under the Society Act for the Province of British Columbia on March 22, 1989, and, accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Financial instruments

The Society's financial instruments consist of cash, accounts receivable and accounts payables and accrued liabilities. It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value due to the relatively short term to maturity of these instruments.

Capital Assets

Capital assets, consisting of furniture and equipment are recorded at cost. Amortization of capital assets is recorded on a straight-line basis over four years.

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Notes to the Financial Statements

December 31, 2004

(Unaudited)

1. Summary of significant accounting policies *(continued)*

Revenue recognition

The Society follows the deferral method of accounting for contributions, which include membership dues 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 to be received can be reasonably estimated and collection is reasonably assured.

Contributed Services

Individuals and organizations contribute numerous hours each year to assist the Society in carrying out its operations. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

Statement of Cash Flows

A statement of cash flows has not been prepared as it would not provide additional useful information which is not readily apparent from the other financial statements.

2. Equipment

| | | | <u>2004</u> | <u>2003</u> |
|-------------------------|------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Furniture and equipment | \$ 24,813 | \$ 24,813 | \$ - | \$ 1,654 |
| Equipment | <u>53,173</u> | <u>-</u> | <u>53,173</u> | <u>-</u> |
| | <u>\$ 77,986</u> | <u>\$ 24,813</u> | <u>\$ 53,173</u> | <u>\$ 1,654</u> |

Kelowna Downtown Business Improvement Area Society

(operating as Downtown Kelowna Association)

Notes to the Financial Statements

December 31, 2004

(Unaudited)

3. Deferred Revenue

During the year the Society received funding from the City of Kelowna in the amount of \$53,172 for the purchase of capital assets to be used by the Society in the provision of services to its members. The amount has been deferred and will be amortized on the same basis as the related capital asset.

4. Restricted Net Assets

Restricted for Parks Alive!

The Society receives funding from various sources that is restricted by third parties for use in the Park Alive! program. Therefore, any unexpended funds received for the Parks Alive are carried forward as restricted net assets.

Restricted for Special Projects

The Special Projects Reserve represents funds internally restricted by the Board of Directors for projects to be undertaken by the Society. At December 31, the Special Projects Reserve was comprised of the following projects:

| | <u>2004</u> | <u>2003</u> |
|-------------------------|------------------|-----------------|
| 2005 Committee Projects | \$ 35,000 | \$ - |
| Computer hardware | - | 2,000 |
| | <u>\$ 35,000</u> | <u>\$ 2,000</u> |

5. 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. During the year, a new By-law was approved for a term of 5 years and will expire on December 31, 2008. Future operations of the Society depend on the continuation of this revenue and renewal of this By-law.