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CITY OF KELOWNA

**MEMORANDUM**

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**Date:** April 17, 2007  
**File No.:** Bylaw 9042, 1970-02  
**To:** City Manager  
**From:** George L King, Acting Revenue Manager  
**Subject:** DOWNTOWN KELOWNA ASSOCIATION 2007 BUDGET

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**RECOMMENDATION:**

THAT Council approve the Downtown Kelowna Association 2007 Budget

AND THAT Council approve the 2007 levy of \$426,000 on Class 5 and Class 6 properties located within the boundaries of the Kelowna Downtown Business Improvement Area.

**BACKGROUND:**

On September 8, 2003 Council approved the Kelowna Downtown Business Improvement Area Bylaw #9042. Bylaw #9042 established the local area for the purpose of annually funding the activity of the Downtown Kelowna Association for a period of 5 years, 2004 to 2008. Council may approve the DKA's annual budget request to a maximum amount of \$428,000 per annum in order for the City to tax the affected properties within the improvement area boundary.

Attached is a copy of the Downtown Kelowna Association's 2007 Budget and the 2006 Financial Statements as reviewed by KPMG LLP Chartered Accountants.

Although staff have not participated in or assisted the Downtown Kelowna Association in preparation of their annual budget, a good working relationship continues to be maintained with the Executive Director.

A representative from the Downtown Kelowna Association will be present at the Council meeting to answer any questions.

Considerations that was not applicable to this report:

**INTERNAL CIRCULATION TO:**

**LEGAL/STATUTORY AUTHORITY:**

**LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:**

**EXISTING POLICY:**

**FINANCIAL/BUDGETARY CONSIDERATIONS:**

**PERSONNEL IMPLICATIONS:**

**TECHNICAL REQUIREMENTS:**  
**EXTERNAL AGENCY/PUBLIC COMMENTS:**  
**ALTERNATE RECOMMENDATION:**

Submitted by:

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*GL King, CMA, Acting Revenue Manager*

Approved for Inclusion:



*[Paul Macklem, CMA, Director of Financial Services]*

Financial Statements of

**KELOWNA DOWNTOWN BUSINESS  
IMPROVEMENT AREA SOCIETY**

(operating as Downtown Kelowna Association)

Year ended December 31, 2006  
(Unaudited)



**KPMG LLP**  
**Chartered Accountants**  
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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, 2006 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.

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 generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Kelowna, Canada  
March 21, 2007

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(operating as Downtown Kelowna Association)

## Balance Sheet

December 31, 2006, with comparative figures for 2005  
(Unaudited)

	2006	2005
<b>Assets</b>		
Current assets:		
Cash		
Unrestricted	\$ 71,625	\$ -
Parks Alive!	21,924	11,731
Special projects	-	1,546
	93,549	13,277
Accounts receivable	14,360	122,541
Prepaid expenses and deposits	7,730	2,107
	115,639	137,925
Equipment (note 2)	42,418	47,854
	\$ 158,057	\$ 185,779

## Liabilities and Net Assets

Current liabilities:		
Bank overdraft (note 3)	\$ -	\$ 11,810
Accounts payable and accrued liabilities	45,501	48,765
	45,501	60,575
Deferred contributions for equipment purchases (note 4)	42,418	47,854
Net assets:		
Restricted for Parks Alive! (note 5)	22,374	2,486
Restricted for special projects	-	1,546
Unrestricted	47,764	73,318
	70,138	77,350
Commitment (note 6)		
	\$ 158,057	\$ 185,779

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 Revenues and Expenditures

Year ended December 31, 2006, with comparative figures for 2005  
(Unaudited)

	2006	2005
Revenues:		
Membership levy	\$ 424,000	\$ 422,000
Parks Alive! fund	240,375	218,943
Biz Patrol fund	31,079	30,913
Downtown ambassadors	51,636	48,314
Events and promotions	25,955	34,650
Amortization of deferred contributions	5,436	5,318
	778,481	760,138
Expenditures:		
Amortization	5,436	5,318
Annual general meeting	2,096	2,790
Biz patrol	31,272	29,460
Business recruitment	9,444	4,255
Downtown patrol	143,241	131,773
Events and promotions	98,971	98,800
Insurance	8,093	6,773
Lighting program	5,501	23,973
Memberships and dues	946	545
Office and administration	27,702	23,825
Parks Alive!	225,457	240,081
Professional development	25,221	11,427
Professional fees	6,276	6,013
Rent	20,228	20,010
Telephone and fax	5,239	5,420
Wages and benefits	169,408	157,682
Waste audit	1,162	9,481
	785,693	777,626
Excess (deficiency) of revenues over expenditures	\$ (7,212)	\$ (17,488)

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, 2006, with comparative figures for 2005  
(Unaudited)

	<u>Restricted for</u>			2006	2005
	Parks Alive!	Special Projects	Unrestricted		
Net assets, beginning of year	\$ 2,486	\$ 1,546	\$ 73,318	\$ 77,350	\$ 94,838
Excess (deficiency) of revenues over expenditures	14,918	—	(22,130)	(7,212)	(17,488)
Transfer in net assets	4,970	(1,546)	(3,424)	—	—
Net assets, end of year	\$ 22,374	\$ —	\$ 47,764	\$ 70,138	\$ 77,350

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, 2006, with comparative figures for 2005  
(Unaudited)

	2006	2005
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 424,000	\$ 422,000
Cash received from City of Kelowna	365,971	100,286
Cash received from other revenues	91,255	127,170
Cash paid to suppliers and employees	(788,628)	(758,005)
Interest paid	(516)	(732)
Increase (decrease) in cash	92,082	(109,281)
Cash, beginning of year	1,467	110,748
Cash, end of year	\$ 93,549	\$ 1,467
Cash (bank overdraft) consists of:		
Unrestricted	\$ 71,625	\$ (11,810)
Parks Alive!	21,924	11,731
Special projects	-	1,546
	\$ 93,549	\$ 1,467

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, 2006  
(Unaudited)

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The Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society") is a non-profit association, registered under the Society Act of the Province of 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:

#### (a) Equipment:

Equipment is recorded at cost. Amortization is recorded on a straight-line basis over ten years.

#### (b) 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 can be reasonably estimated and collection is reasonably assured.

Deferred contributions for equipment purchases represent the unamortized amount of funding received for equipment purchases, the amortization of which is recognized in the statement of revenues and expenditures on the same basis as the related equipment amortization.

#### (c) 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, contributed services 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, 2006  
(Unaudited)

## 1. Significant accounting policies (continued):

(d) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 2. Equipment:

					2006	2005
	Cost	Accumulated amortization			Net book value	Net book value
Equipment	\$ 54,364	\$ 11,946	\$	\$	42,418	\$ 47,854
Furniture and fixtures	18,315	18,315			-	-
	\$ 72,679	\$ 30,261	\$	\$	42,418	\$ 47,854

## 3. Bank overdraft:

The bank overdraft is unsecured and bears interest at the bank's prime rate plus 6%.

## 4. Deferred contributions for equipment purchases:

	2006	2005
Balance, beginning of year	\$ 47,854	\$ 53,172
Amount amortized to revenue in the year	(5,436)	(5,318)
	\$ 42,418	\$ 47,854

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2006  
(Unaudited)

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**5. Restricted for Parks Alive!:**

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

**6. Commitment:**

The Society rents office space under an operating lease, expiring December 31, 2008, with annual base plus additional rent of not more than \$18,000.

**7. 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 2005, 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.

**8. Financial instruments:**

The fair value of the Society's unrestricted and restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short periods to maturity of these instruments. The maximum credit exposure for all financial assets is the carrying amount of that asset.



**CLINT MCKENZIE**  
**EXECUTIVE DIRECTOR**

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## Fax Transmittal

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To: George King

Fax #: 862-3391

George,

2007 Budget as requested,

It is showing a deficit at the end of 2007 (16,550) and as such we will be using our reserve as indicated in the review document from KPMG for 2006 to fund non-operational programs such as our Back Alley Lighting Grant. If corporate sponsorship increases we will be putting more towards our clean team program with the sweeper as well.

Happy to be present to answer any questions from Council

Clint McKenzie

**Downtown Kelowna Association  
Budget Analysis  
2007 Budget**

	<u>Budget</u>	
	<b>Annual Budget</b>	
<b>Base Funding</b>		
Membership Levies	426,000	
Rent - sub tenants	1,500	
	<u>427,500</u>	<u>          </u>
<b>Administration Expenses</b>		
AGM	2,500	
Board Meetings	3,500	
Depreciation	150	
Director's Miscellaneous	3,000	
GST	5,000	
Insurance	9,000	
Membership Dues	1,500	
Office	9,000	
Computer hardware	1,200	
Professional Development/conferenc	8,000	
Professional Development/staff	6,000	
Professional Fees	7,000	
Publications and Subscriptions	1,200	
Rent & Parking	21,000	
Telephone/Fax/Internet	5,500	
WCB Expense	300	
	<u>83,850</u>	<u>          </u>
<b>Function Expenses</b>		
Exceptional Service Under the Sun	1,200	
Business Recruitment Expense	10,000	
Marketing	53,000	
Downtown Patrol	80,000	
Graffiti Removal	1,000	
Christmas light-up	3,500	
Clean Up Days	1,000	
Canada Day	500	
Christmas promotions	0	
Special Events General	7,500	
Wages	167,000	
Other Benefits	11,500	
Cost recoveries	2,000	
	<u>338,200</u>	<u>          </u>
<b>Base funding less overhead</b>	<u>5,450</u>	<u>          </u>



2007

## Project funding and expenses

Biz Patrol		
Revenue	30,000	federal revenue expected
Expenses	(33,500)	municipal (14,000) confirmed
	<u>(3,500)</u>	
Parks Alive!		
Revenue	20,000	
Expenses	(21,500)	
	<u>(1,500)</u>	DKA \$1500 sponsorship for
		"lunch time" series D/T
Heritage Ambassador		
Revenue	0	
Expenses	<u>2,000</u>	
	<u>(2,000)</u>	
Downtown After Five		
Revenue	9,000	
Expenses	<u>(7,000)</u>	
	<u>2,000</u>	
Mardi Gras		
Revenue	6,500	
Expenses	<u>(10,000)</u>	
	<u>(3,500)</u>	
Flower Barrels		
Revenue	3,000	
Expenses	<u>(6,000)</u>	
	<u>(3,000)</u>	
Awesome August Car Show		
Revenue	5,000	
Expenses	<u>(6,500)</u>	
	<u>(1,500)</u>	
Lighting Committee		
Revenue	5,000	
Expense	<u>(10,000)</u>	from Reserves
	0	
Sweeper/Clean Team		
Revenue	4,000	
Expenses	<u>(13,000)</u>	more resources needed
	<u>(9,000)</u>	
Total project funding and expenses	<u>(22,000)</u>	
Net revenue less expenses	<u>(16,550)</u>	