
CITY OF KELOWNA

MEMORANDUM

Date: March 4, 2008
File No.: Bylaw 9042, 1970-02
To: City Manager
From: George L King, Revenue Manager
Subject: DOWNTOWN KELOWNA ASSOCIATION 2008 BUDGET

RECOMMENDATION:

THAT Council approve the Downtown Kelowna Association 2008 Budget

AND THAT Council approve the 2008 levy of \$428,000 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 2008 Budget and the Draft 2007 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:

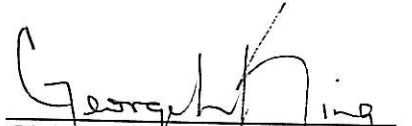
FINANCIAL/BUDGETARY CONSIDERATIONS:

PERSONNEL IMPLICATIONS:



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

Submitted by:


GL King, CMA, Revenue Manager

Approved for Inclusion:



[Paul Macklem, CMA, Director of Financial Services]

2008 Downtown Kelowna Annual Budget

Revenue

Membership Levy	428,000
Downtown On Call (Ambassadors)	45,000
BIZ Patrol	25,000
Clean Team	10,000
Events & Promotions	23,400
Amortization of Deferred Contributions	-
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	\$ 531,400

Expenses

Amortization	-
Annual General Meeting	2,000
BIZ Patrol	30,000
Business Recruitment	10,000
Clean Team	15,000
Downtown On Call	105,000
Events & Promotions	94,000
Insurance	9,000
Lighting Program	3,500
Membership & Dues	1,000
Office & Administration	19,150
Professional Development	14,000
Professional Fees	6,500
Rent	21,000
Telephone & Fax	5,500
Wages & Benefits	194,500
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	\$ 530,150

Net Income

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	\$ 1,250
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Financial Statements of

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

Year ended December 31, 2007
(Unaudited)

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, 2007 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 generally accepted accounting principles.

Chartered Accountants

Kelowna, Canada

April 17, 2008

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Balance Sheet

December 31, 2007, with comparative figures for 2006
(Unaudited)

	2007	2006
Assets		
Current assets:		
Cash		
Unrestricted	\$ 29,928	\$ 71,625
Parks Alive!	-	21,924
	29,928	93,549
Accounts receivable	34,033	14,360
Prepaid expenses and deposits	8,377	7,730
	72,338	115,639
Equipment (note 2)	36,982	42,418
	\$ 109,320	\$ 158,057

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,401	\$ 45,501
Deferred contribution for equipment purchases (note 3)	36,982	42,418
Net assets:		
Restricted for Parks Alive!	-	22,374
Unrestricted	47,937	47,764
	47,937	70,138
Commitments (note 4)		
	\$ 109,320	\$ 158,057

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, 2007, with comparative figures for 2006
(Unaudited)

	2007	2006
Revenue:		
Membership levy	\$ 426,000	\$ 424,000
Downtown ambassadors	128,654	51,636
Biz Patrol fund	44,947	31,079
Events and promotions	18,718	25,955
Amortization of deferred contributions	5,436	5,436
Parks Alive! fund	-	240,375
	623,755	778,481
Expenses:		
Amortization	5,436	5,436
Annual general meeting	469	2,096
Biz patrol	30,968	31,272
Business recruitment	8,087	9,444
Downtown patrol	221,893	143,241
Events and promotions	102,525	98,971
Insurance	5,868	8,093
Lighting program	726	5,501
Memberships and dues	764	946
Office and administration	27,449	27,702
Professional development	16,480	25,221
Professional fees	5,527	6,276
Rent	21,066	20,228
Telephone and fax	5,391	5,239
Wages and benefits	170,933	169,408
Waste audit	-	1,162
Parks Alive!	-	225,457
	623,582	785,693
Excess (deficiency) of revenue over expenses	\$ 173	\$ (7,212)

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, 2007, with comparative figures for 2006
(Unaudited)

	Restricted for Parks Alive!		Unrestricted	2007	2006
Net assets, beginning of year	\$	22,374	\$	47,764	\$ 77,350
Excess (deficiency) of revenues over expenditures		-	173	173	(7,212)
Transfer of Parks Alive! net assets to Festivals Kelowna		(22,374)	-	(22,374)	-
Net assets, end of year	\$	-	\$	47,937	\$ 70,138

See accompanying notes to unaudited financial statements.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006
(Unaudited)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 426,000	\$ 424,000
Cash received from City of Kelowna	104,279	365,971
Cash received from other revenues	68,367	91,255
Cash paid to suppliers and employees	(639,040)	(788,628)
Interest paid	(853)	(516)
	(41,247)	92,082
Investing activities:		
Transfer of Parks Alive! net assets to Festivals Kelowna	(22,374)	-
Increase (decrease) in cash	(63,621)	92,082
Cash, beginning of year	93,549	1,467
Cash, end of year	\$ 29,928	\$ 93,549
Cash consists of:		
Unrestricted	\$ 29,928	\$ 71,625
Parks Alive!	-	21,924
	\$ 29,928	\$ 93,549

See accompanying notes to unaudited financial statements.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements

Year ended December 31, 2007
(Unaudited)

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, 2007
(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.

(e) New accounting pronouncements:

i) Accounting pronouncements adopted during the year:

Effective January 1, 2007, the Society adopted the following CICA Handbook sections, which became effective for non-profit organizations, such as the Society on that date:

Section 3855 "Financial Instruments - Recognition and Measurement", which prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Upon adoption of this standard, the Society designated its assets and liabilities as follows:

- Cash was designated as held for trading and measured at fair value, with changes in fair value recognized in net earnings;
- Accounts receivable have been classified as loans and receivables and are measured at amortized cost
- Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2007
(Unaudited)

1. Significant accounting policies (continued):

Section 3861 "Financial Instruments - Disclosure and Presentation", which established standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of this Section has not significantly impacted the Society's financial statements.

ii) Accounting pronouncements issued but not yet effective:

The following new CICA Handbook sections have been issued and become effective for the Society, as of its fiscal year commencing January 1, 2008:

Section 3862 "Financial Instruments - Disclosure" and Section 3863 Financial Instruments - Presentation", which further expand on the standards financial statement disclosure and presentation of financial instruments prescribed in Section 3861 above. The adoption of these sections is not expected to significantly impact the Society's financial statements.

2. Equipment:

		2007		2006	
	Cost	Accumulated amortization	Net book value		Net book value
Equipment	\$ 74,502	\$ 37,520	\$ 36,982	\$	42,418
Furniture and fixtures	18,315	18,315	-		-
	\$ 92,817	\$ 55,835	\$ 36,982	\$	42,418

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2007

(Unaudited)

3. Deferred contributions for equipment purchases:

	2007	2006
Balance, beginning of year	\$ 42,418	\$ 47,854
Amount amortized to revenue in the year	(5,436)	(5,436)
	\$ 36,982	\$ 42,418

4. Commitments:

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.

5. Economic dependence:

The Society collects its member levies revenue through a by-law with the City of Kelowna, which expires on December 31, 2008, pursuant to which the levies are collected through the property tax system. Future operations of the Society depend on the continuation of this revenue and renewal of this by-law.

6. Financial instruments:

The fair value of the Society's 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.