
CITY OF KELOWNA

MEMORANDUM

Date: March 11, 2009
File No.: Bylaw 10010, 1970-02
To: City Manager
From: George L King, Revenue Manager
Subject: DOWNTOWN KELOWNA ASSOCIATION 2009 BUDGET

RECOMMENDATION:

THAT Council approve the Downtown Kelowna Association 2009 Budget

AND THAT Council approve the 2009 levy of \$533,000 on Class 5 and Class 6 properties located within the boundaries of the Kelowna Downtown Business Improvement Area.

BACKGROUND:

On September 15, 2008 Council approved the Kelowna Downtown Business Improvement Area Bylaw #10010. Bylaw #10010 established the local area for the purpose of annually funding the activity of the Downtown Kelowna Association for a period of 5 years, 2009 to 2013. Council may approve the DKA's annual budget request to a maximum amount of \$679,000 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 2009 Budget and the Draft 2008 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.

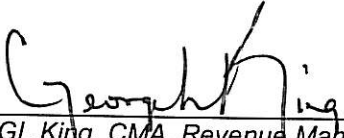
Considerations that was not applicable to this report:

INTERNAL CIRCULATION TO:
LEGAL/STATUTORY AUTHORITY:
LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:
EXISTING POLICY:
FINANCIAL/BUDGETARY CONSIDERATIONS:
PERSONNEL IMPLICATIONS:

AK

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

Submitted by:


George King
GL King, CMA, Revenue Manager

Approved for Inclusion:



[Keith Grayston CGA, Director of Financial Services]

Downtown Kelowna Association 2009 Budget

Revenue:

Membership Levy	533,000.00
Queensway Transit Security (aka Downtown Ambassadors)	36,000.00
Downtown On Call	45,000.00
Biz Patrol	10,000.00
Clean Team	24,000.00
Events and Promotions	25,650.00
Amortization of Deferred Contributions	5,436.00
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	\$ 679,086.00

Expenses:

Amortization	5,436.00
Biz Patrol	15,750.00
Business Recruitment	4,100.00
Clean Team	55,000.00
Cooperative Capital Improvements	20,000.00
Downtown On Call	131,500.00
Events and Promotions	96,750.00
Insurance	8,000.00
Membership and Dues	800.00
Office and Administration	22,060.00
Professional Development	11,750.00
Professional Fees	5,700.00
Queensway Transit Security	36,000.00
Rent	22,000.00
Special Projects	20,000.00
Telephone and Fax	5,200.00
Wages and Benefits	219,000.00
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	\$ 679,046.00

Excess (deficiency) or revenues over expenditures	\$ 40.00
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Financial Statements of

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

Year ended December 31, 2008
(Unaudited)



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REVIEW ENGAGEMENT REPORT

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

We have reviewed the balance sheet of Kelowna Downtown Business Improvement Area Society, operating as Downtown Kelowna Association, as at December 31, 2008 and the statements of operations and 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

February 16, 2009

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

Balance Sheet

December 31, 2008, with comparative figures for 2007
(Unaudited)

	2008	2007
Assets		
Current assets:		
Cash	\$ 38,173	\$ 29,928
Accounts receivable	1,633	34,033
Prepaid expenses and deposits	7,355	8,377
	<u>47,161</u>	<u>72,338</u>
Equipment (note 2)	31,546	36,982
	<u>\$ 78,707</u>	<u>\$ 109,320</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,772	\$ 24,401
Deferred contribution for equipment purchases (note 3)	31,546	36,982
Unrestricted net assets	9,389	47,937
Commitment (note 4)		
	<u>\$ 78,707</u>	<u>\$ 109,320</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 and Changes in Net Assets

Year ended December 31, 2008, with comparative figures for 2007
 (Unaudited)

	2008	2007
Revenue:		
Membership levy	\$ 428,000	\$ 426,000
Downtown ambassadors	129,726	98,654
Downtown patrol	45,000	45,000
Biz patrol	19,772	29,947
Events and promotions	37,647	18,718
Amortization of deferred contributions	5,436	5,436
	<u>665,581</u>	<u>623,755</u>
Expenses:		
Amortization	5,436	5,436
Biz patrol	32,057	30,968
Business recruitment	2,129	8,087
Downtown patrol	250,825	221,893
Events and promotions	118,536	102,525
Insurance	8,310	5,868
Lighting program	857	726
Memberships and dues	1,108	764
Office and administration	30,320	27,918
Professional development	12,801	16,480
Professional fees	5,636	5,527
Rent	18,734	21,066
Telephone and fax	4,884	5,391
Wages and benefits	212,496	170,933
	<u>704,129</u>	<u>623,582</u>
Excess (deficiency) of revenues over expenditures	(38,548)	173
Net assets, beginning of year	47,937	70,138
Transfer of Parks Alive! net assets to Festivals Kelowna	-	(22,374)
Unrestricted net assets, end of year year	<u>\$ 9,389</u>	<u>\$ 47,937</u>

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, 2008, with comparative figures for 2007
 (Unaudited)

	2008	2007
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 428,000	\$ 426,000
Cash received from City of Kelowna	199,101	104,279
Cash received from other revenues	65,444	68,367
Cash paid to suppliers and employees	(683,443)	(639,040)
Interest paid	(857)	(853)
	8,245	(41,247)
Investing activities:		
Transfer of Parks Alive! net assets to Festivals Kelowna	-	(22,374)
Increase (decrease) in cash	8,245	(63,621)
Cash, beginning of year	29,928	93,549
Cash, end of year	\$ 38,173	\$ 29,928

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, 2008
(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, 2008
(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) Financial instruments:

The Society classifies its financial instruments 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. The Society designated its assets and liabilities as follows:

- Cash is designated as held for trading and measured at their 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.

Disclosure of the financial significance of financial instruments to the Society's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments is located in note 6.

(f) New accounting pronouncements:

i) Accounting pronouncements issued and effective for the current fiscal year::

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation", which require expanded financial instrument disclosure and presentation standards from those prescribed in Section 3861 "Financial Instruments – Disclosure and Presentation", including increased emphasis on disclosures about the

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

Notes to Financial Statements (continued)

Year ended December 31, 2008
(Unaudited)

1. Significant accounting policies (continued):

(f) New accounting pronouncements (continued):

nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA announced during the Fund's 2008 fiscal year that not-for-profit organizations may elect to continue to apply Section 3861 in place of Sections 3862 and 3863. Accordingly, the Fund has elected to continue to apply the financial instrument disclosure and presentation standards in Section 3861 in its December 31, 2008 financial statements.

ii) Accounting pronouncements issued but not yet effective:

In September 2008, the CICA made certain amendments to the Handbook Section 4400, "Financial Statement Presentation by Not-for Profit Organizations" and Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations". The amendments are effective for the Fund's fiscal year commencing January 1, 2009 and include removal of requirements to treat net assets invested in property and equipment as a separate component of net assets. The adoption of the amended standards is not expected to significantly impact the Fund's financial statements.

2. Equipment:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 74,502	\$ 42,956	\$ 31,546	\$ 36,982
Furniture and fixtures	18,315	18,315	-	-
	\$ 92,817	\$ 61,271	\$ 31,546	\$ 36,982

3. Deferred contributions for equipment purchases:

	2008	2007
Balance, beginning of year	\$ 36,982	\$ 42,418
Amount amortized to revenue in the year	(5,436)	(5,436)
	\$ 31,546	\$ 36,982

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

Notes to Financial Statements (continued)

Year ended December 31, 2008
(Unaudited)

4. Commitment:

The Society rents office space under an operating lease, expiring April 30, 2009, 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 pursuant to which the levies are collected through the property tax system and the Society receives annual grant funding from the City of Kelowna. Future operations of the Society depend on the continuation of this revenue and renewal of this by-law. The current by-law expired on December 31, 2008. During the year ended December 31, 2008, the by-law was renewed for a new five year term, expiring December 31, 2013.

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.

7. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.