

Memo



Date: March 10, 2010
File: 0700-20
To: City Manager
From: George L. King, Revenue Manager
Subject: DOWNTOWN KELOWNA ASSOCIATION 2010 BUDGET

Recommendation:

THAT Council approve the Downtown Kelowna Association 2010 Budget

AND THAT Council approve the 2010 levy of \$570,000 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 Draft 2009 Financial Statements as reviewed by KPMG LLP Chartered Accountants, the Downtown Kelowna Association's 2010 Budget and a list of the Board of Directors for 2010.

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 not applicable to this report:

- Internal Circulation
- Legal/Statutory Authority
- Legal/statutory Procedural Requirements
- Existing Policy
- Financial/Budgetary Considerations
- Personnel Implications
- Technical Requirements
- External Agency/Public Comments
- Communications Considerations
- Alternate Recommendation

Submitted by:

A handwritten signature in blue ink that reads "George L. King".

G.L. King, CMA, Revenue Manager

Approved for inclusion:

A handwritten signature in black ink consisting of the initials "KG" inside a rectangular box.

Keith Grayston, CGA, Director, Financial Services

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Financial Statements of

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

Year ended December 31, 2009
(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, 2009 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.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Kelowna, Canada

February 22, 2010

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

Balance Sheet

December 31, 2009, with comparative figures for 2008
(Unaudited)

	2009	2008
Assets		
Current assets:		
Cash	\$ 84,599	\$ 38,173
Accounts receivable	613	1,633
Prepaid expenses and deposits	4,140	7,355
	<u>89,352</u>	<u>47,161</u>
Equipment (note 2)	26,110	31,546
	<u>\$ 115,462</u>	<u>\$ 78,707</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,528	\$ 37,772
Deferred contribution for equipment purchases (note 3)	26,110	31,546
Unrestricted net assets	67,824	9,389
	<u>\$ 115,462</u>	<u>\$ 78,707</u>

Commitment (note 4)

On behalf of the Board:



Director



Director

See accompanying notes to financial statements.

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

Statement of Operations and Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008
(Unaudited)

	2009	2008
Revenue:		
Membership levy	\$ 533,000	\$ 428,000
Downtown on call	45,000	45,000
Biz patrol	14,000	19,772
Clean team	24,323	11,620
Events and promotions	32,603	26,027
Downtown ambassadors	31,763	129,726
Amortization of deferred contributions	5,436	5,436
	<u>686,125</u>	<u>665,581</u>
Expenses:		
Amortization	5,436	5,436
Biz patrol	16,199	32,057
Business recruitment	3,743	2,129
Clean team	36,117	19,064
Downtown on call	177,751	250,825
Events and promotions	109,581	99,472
Insurance	8,434	8,310
Lighting program	-	857
Memberships and dues	126	1,108
Office and administration	28,249	30,320
Professional development	5,606	12,801
Professional fees	6,234	5,636
Rent	23,670	18,734
Telephone and fax	5,675	4,884
Wages and benefits	200,869	212,496
	<u>627,690</u>	<u>704,129</u>
Excess (deficiency) of revenues over expenditures	58,435	(38,548)
Net assets, beginning of year	9,389	47,937
Unrestricted net assets, end of year	\$ 67,824	\$ 9,389

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, 2009, with comparative figures for 2008
 (Unaudited)

	2009	2008
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 533,000	\$ 428,000
Cash received from City of Kelowna	100,076	213,101
Cash received from other revenues	47,613	43,703
Cash paid to suppliers and employees	(634,263)	(675,702)
Interest paid	-	(857)
Increase in cash	46,426	8,245
Cash, beginning of year	38,173	29,928
Cash, end of year	\$ 84,599	\$ 38,173

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, 2009
(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 less accumulated amortization. Amortization is recorded on a straight-line basis over ten years. When the Society's management determines that some or all of its equipment no longer contribute to the Society's ability to carry out its operations, the carrying amount of the equipment is written down to its residual value.

(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, 2009
(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:

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 Society'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 has not significantly impact the Society's financial statements.

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

Notes to Financial Statements (continued)

Year ended December 31, 2009
 (Unaudited)

1. Significant accounting policies (continued):

(f) New accounting pronouncements (continued):

Section 1535, Capital Disclosures, establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The section was applicable for the Society's fiscal year commencing January 1, 2009. It requires enhanced disclosure with respect to the objectives, policies and processes for managing capital, quantitative data about the entity's capital and disclosures about the entity's compliance with capital requirements and consequences of any non-compliance. The Society's disclosure in regards of this section is located in note 7.

2. Equipment:

			2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value		
Equipment	\$ 54,364	\$ 28,254	\$ 26,110	\$ 31,546		
Furniture and fixtures	18,315	18,315	-	-		
	\$ 72,679	\$ 46,569	\$ 26,110	\$ 31,546		

3. Deferred contributions for equipment purchases:

	2009		2008	
Balance, beginning of year	\$	31,546	\$	36,982
Amount amortized to revenue in the year		(5,436)		(5,436)
	\$	26,110	\$	31,546

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

Notes to Financial Statements (continued)

Year ended December 31, 2009
(Unaudited)

4. Commitment:

The Society rents office space under an operating lease, expiring April 30, 2014, with annual base plus additional rent of approximately \$23,000.

The Society leases office equipment under an operating lease, expiring April 13, 2012, with annual lease payments of approximately \$2,160.

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 was renewed for a five year term, expiring December 31, 2013.

6. Financial instruments:

a) Fair value:

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.

b) Credit exchange and interest rate risk:

Unless otherwise disclosed, the Society is not exposed to significant interest rate or exchange rate risk. The maximum credit exposure for the Society's financial assets is the carrying value of the asset.

7. Capital disclosures:

The Society defines capital to be net unrestricted assets. The Society's objective when managing capital is to safeguard its ability to operate and fund its future operations.

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

Notes to Financial Statements (continued)

Year ended December 31, 2009
(Unaudited)

8. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

2010 Downtown Kelowna Consolidated Budget

Revenue:

Membership Levy	570,000
Downtown On Call	45,000
BIZ Patrol	14,000
Clean Team	26,000
Events and Promotions	33,600
Amortization of Deferred Contributions	5,436
	<hr/>
	\$ 694,036

Expenses

Amortization	5,436
BIZ Patrol	17,000
Business Recruitment	2,000
Clean Team	48,130
Coop Capital Improvements	20,000
Downtown On Call	168,150
Events and Promotions	93,350
Insurance	7,500
Membership and Dues	4,200
Office and Administration	28,150
Professional Development	15,000
Professional Fees	9,500
Rent	24,500
Special Projects	20,000
Telephone & Fax	7,400
Wages & Benefits	223,075
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	\$ 693,391

Excess (deficiency) or revenues over expenditures	<hr/> <hr/>
	\$ 645



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Board of Directors for 2010

Randy Barthel	Shaw Cablesystems 106-1223 Water St. V1Y 9V1
Andrew Brunton	Pushor Mitchell LLP 3 rd Floor-1665 Ellis St. V1Y 2B3
Rob Collins	Grant Thornton LLP 200-1633 Ellis St. V1Y 2A8
Casey Donovan	Plan B Barbers Inc 1524 Water St. V1Y 1J7
Brent Lobson	Imperial Parking 211-1626 Richter St. V1Y 2M3
Dallas Gray	K-96.3 FM 1601 Bertram St. V1Y 2G5
Perry Freeman	Colliers International 107-565 Bernard Ave. V1Y 8R4
Rita Milne	Renaissance Architecture 303 Queensway Ave. V1Y 8E6
Trevor Neill	Mosaic Books 411 Bernard Ave. V1Y 6N8
Jenny Rutherford	Tourism Kelowna 544 Harvey Ave. V1Y 6C9
Steve Stinson	The Keg Steakhouse 1580 Water St. V1Y 1J7
Allen Tozer	Lexlaur Properties 1527 Ellis St. V1Y 2A7
Ken Webster	The Webster Group 205-251 Lawrence Ave. V1Y 6L2
Clay Williams	FH&P Lawyers 200-215 Lawrence Ave. V1Y 6L2
Bernie Wilson	Sturgeon Hall 1481 Water St. V1Y 1J6