

Memo



Date: March 9, 2011
File: 0700-20
To: City Manager
From: Revenue Manager
Subject: DOWNTOWN KELOWNA ASSOCIATION 2011 BUDGET

Recommendation:

THAT Council approves the Downtown Kelowna Association 2011 Budget as outlined in the report of the Revenue Manager dated March 9, 2011;

AND THAT Council approve the 2011 levy of \$610,000 on Class 5 and Class 6 properties located within the boundaries of the Kelowna Downtown Business Improvement Area.

Purpose:

To authorize the 2011 levy on Class 5 light industry and Class 6 business/other properties located within the 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 2010 Financial Statements as reviewed by KPMG LLP Chartered Accountants, the Downtown Kelowna Association's 2011 Budget and a list of the Board of Directors for 2010/2011.

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:

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Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

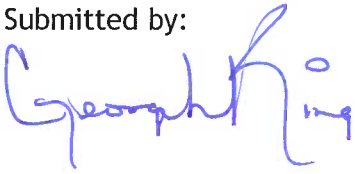
Personnel Implications:

External Agency/Public Comments:

Community & Media Relations Comments:

Alternate Recommendation:

Submitted by:



G.L. King, CMA, Revenue Manager

Approved for inclusion



Keith Grayston, CGA, Director, Financial Services

cc:



Financial Statements of

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

Year ended December 31, 2010
(Unaudited)



KPMG LLP
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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, 2010 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'. The signature is written in a cursive, stylized font.

Chartered Accountants

Kelowna, Canada

February 25, 2011

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

Balance Sheet

December 31, 2010, with comparative figures for 2009
 (Unaudited)

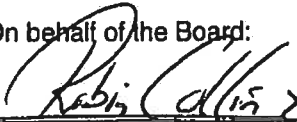
	2010	2009
Assets		
Current assets:		
Cash	\$ 124,394	\$ 84,599
Accounts receivable	5,975	613
Prepaid expenses and deposits	3,903	4,140
	<u>134,272</u>	<u>89,352</u>
Equipment (note 2)	20,674	26,110
	<u>\$ 154,946</u>	<u>\$ 115,462</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,246	\$ 21,528
Deferred contributions for equipment purchases (note 3)	20,674	26,110
Unrestricted net assets	121,026	67,824
	<u>\$ 154,946</u>	<u>\$ 115,462</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, 2010, with comparative figures for 2009
 (Unaudited)

	2010	2009
Revenue:		
Membership levy	\$ 570,000	\$ 533,000
Downtown on call	45,000	45,000
Biz patrol	14,000	14,000
Clean team	29,617	24,323
Events and promotions	37,324	32,603
Downtown ambassadors	-	31,763
Amortization of deferred contributions	5,436	5,436
	<u>701,377</u>	<u>686,125</u>
Expenses:		
Amortization	5,436	5,436
Biz patrol	16,949	16,199
Business recruitment	3,382	3,743
Clean team	50,165	36,117
Downtown on call	161,497	177,751
Events and promotions	89,737	109,581
Insurance	7,082	8,434
Memberships and dues	865	126
Office and administration	40,139	28,249
Professional development	10,512	5,606
Professional fees	8,359	6,234
Rent	23,353	23,670
Telephone and fax	5,133	5,675
Wages and benefits	225,566	200,869
	<u>648,175</u>	<u>627,690</u>
Excess of revenues over expenses	53,202	58,435
Unrestricted net assets, beginning of year	67,824	9,389
Unrestricted net assets, end of year	<u>\$ 121,026</u>	<u>\$ 67,824</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, 2010, with comparative figures for 2009
 (Unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 570,000	\$ 533,000
Cash received from City of Kelowna	72,968	100,076
Cash received from other revenues	53,017	47,613
Cash paid to suppliers and employees	(656,190)	(634,263)
Increase in cash	39,795	46,426
Cash, beginning of year	84,599	38,173
Cash, end of year	\$ 124,394	\$ 84,599

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, 2010
(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, 2010
(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) Accounting pronouncements issued but not yet effective:

In December 2010 the Canadian Institute of Chartered Accountants issued Part III of the CICA Handbook - *Accounting Standards for Not-For-Profit Organizations*. The standards provide non-profit organizations the choice of applying accounting standards for private enterprises supplemented by the Part III standards unique to non-profit organizations, or International Financial Reporting Standards. The new standards are applicable to the Society's annual financial statements for its fiscal year commencing January 1, 2012. The Society is in the process of reviewing the impact of these standards on its reporting framework and financial statements.

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

Notes to Financial Statements (continued)

Year ended December 31, 2010
 (Unaudited)

2. Equipment:

			2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value		
Equipment	\$ 74,502	\$ 53,828	\$ 20,674	\$ 26,110		
Furniture and fixtures	18,315	18,315	-	-		
	\$ 92,817	\$ 72,143	\$ 20,674	\$ 26,110		

3. Deferred contributions for equipment purchases:

	2010		2009	
Balance, beginning of year	\$	26,110	\$	31,546
Amount amortized to revenue		(5,436)		(5,436)
	\$	20,674	\$	26,110

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

Notes to Financial Statements (continued)

Year ended December 31, 2010
(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 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**2011 Budget**

	2011 Budget	2010 Actuals
Revenue		
Membership levy	610,000	570,000
Downtown on Call	45,000	45,000
Biz patrol	14,000	14,000
Clean team	21,500	29,617
Events and promotions	29,800	37,324
Amortization of deferred contributions	5,436	5,436
	725,736	701,377
Expenses		
Amortization	5,436	5,436
Biz Patrol	17,000	16,949
Business recruitment	2,750	3,382
Clean team	50,050	50,165
Downtown on call	176,300	161,497
Events and promotions	119,200	89,737
Insurance	7,200	7,082
Memberships and dues	3,250	865
Office and administration	72,450	40,139
Professional development	10,000	10,512
Professional Fees	10,100	8,359
Rent	23,500	23,353
Telephone and fax	5,900	5,133
Wages and benefits	222,600	225,566
	725,736	648,175
Excess of revenues over expenses	-	53,202
Unrestricted net assets, beginning of Year	121,026	67,824
Unrestricted net assets, end of year	<u>121,026</u>	<u>121,026</u>



2010/2011 DKA Board of Directors

	Board Member	Company	Term
	Peggy Athans	DKA	Staff
	Councillor Michele Rule	City of Kelowna	Ex-Officio
1	Steve Stinson	The Keg Steakhouse	President /Term completed
2	Rita Milne	Renaissance Architecture	Past President /Term completed
3	Allen Tozer	Lexlaur Properties	Term completed
4	Andrew Brunton	Pushor Mitchel LLP	Term completed
5	Casey Donovan	Plan B Barbers Inc	Term completed
6	Clay Williams	FH&P Lawyers	Term completed
7	Ken Webster	The Webster Group	Term completed
8	Randy Barthel	Shaw Cablesystems	Term completed
9	Perry Freeman	Colliers International	One year left
10	Rob Collins	Grant Thornton LLP	One year left
11	Brent Lobson	Imperial Parking	One year left
12	Bernie Wilson	Sturgeon Hall	One year left
13	Dallas Gray	K-96.3 FM	One year left
14	Jenny Rutherford	Tourism Kelowna	One year left
15	Trevor Neill	Mosaic Books	One year left

2011 / 2012 DKA Board of Directors

	Board Member	Company	Term
	Peggy Athans	DKA	Staff
	Councillor Michele Rule	City of Kelowna	Ex-Officio
1			President
2	Steve Stinson	The Keg Steakhouse	Past President
3	Perry Freeman	Colliers International	One year left
4	Rob Collins	Grant Thornton LLP	One year left
5	Brent Lobson	Imperial Parking	One year left
6	Bernie Wilson	Sturgeon Hall	One year left
7	Dallas Gray	K-96.3 FM	One year left
8	Jenny Rutherford	Tourism Kelowna	One year left
9	Trevor Neill	Mosaic Books	One year left
10			
11			
12			
13			
14			
15			