

# Report to Council



**Date:** March 7, 2012  
**File:** 0700-20  
**To:** City Manager  
**From:** Revenue Manager  
**Subject:** DOWNTOWN KELOWNA ASSOCIATION 2012 BUDGET

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## **Recommendation:**

THAT Council approves the Downtown Kelowna Association 2012 Budget as outlined in the report of the Revenue Manager dated March 7, 2012;

AND THAT Council approve the 2012 levy of \$652,000 on Class 5 and Class 6 properties located within the boundaries of the Kelowna Downtown Business Improvement Area.

## **Purpose:**

To authorize the 2012 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 (Schedule A) 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 2011 Financial Statements as reviewed by KPMG LLP Chartered Accountants, the Downtown Kelowna Association's 2012 Budget and a list of the Board of Directors for 2011/2012.

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:**

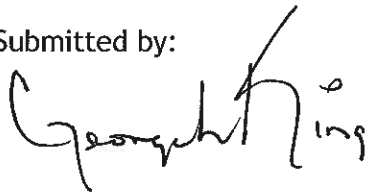
**Personnel Implications:**

**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  
*Genelle Davidson for:*

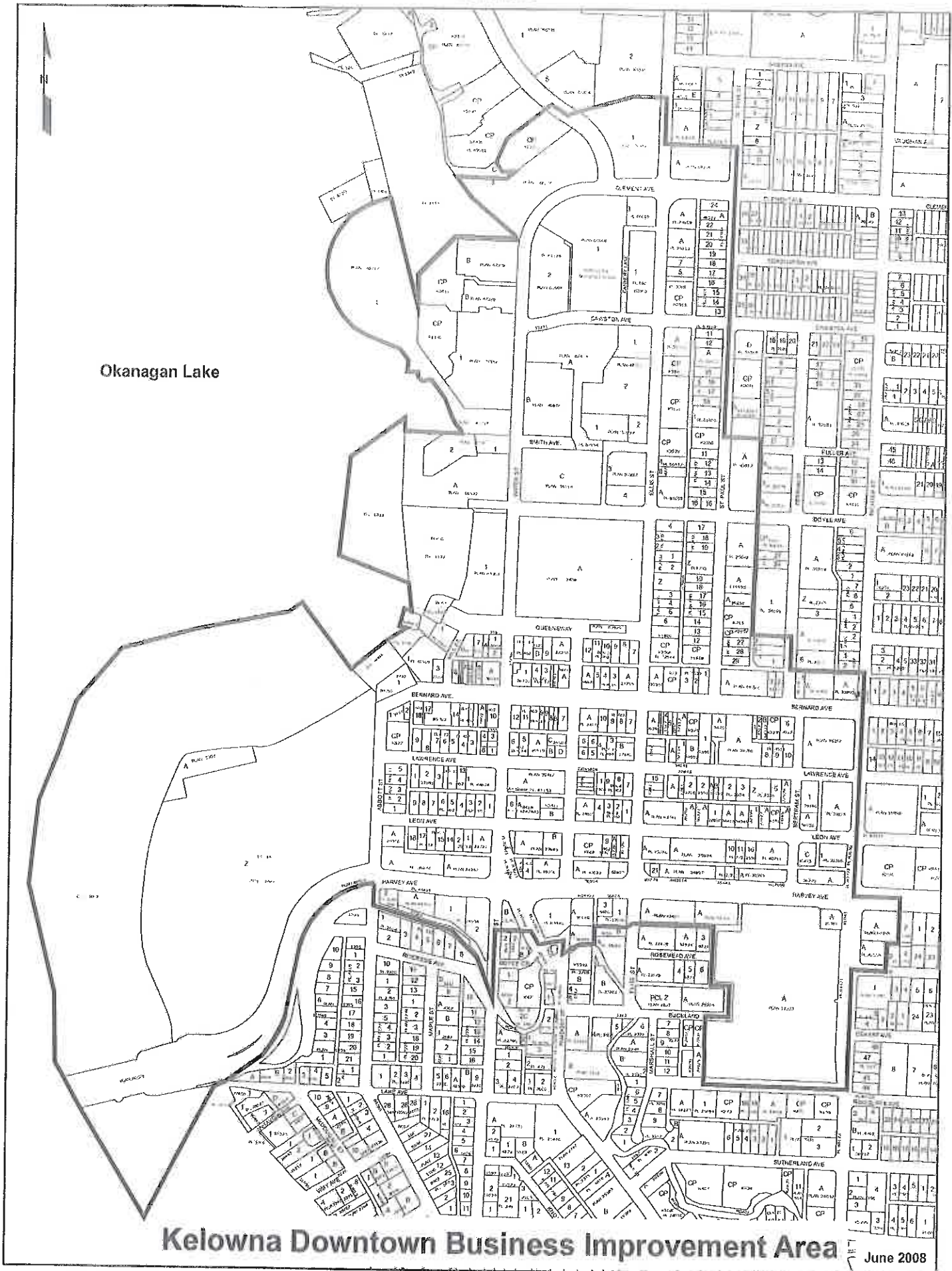
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# SCHEDULE A

Okanagan Lake

## Kelowna Downtown Business Improvement Area

June 2008



Financial Statements of

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

Year ended December 31, 2011  
(Unaudited)



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Canada

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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 statement of financial position of Kelowna Downtown Business Improvement Area Society, operating as Downtown Kelowna Association, as at December 31, 2011 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 stylized and cursive.

Chartered Accountants

Kelowna, Canada

March 1, 2012

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

Statement of Financial Position

December 31, 2011, with comparative figures for 2010  
 (Unaudited)


	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 44,936	\$ 124,394
Accounts receivable	9,576	5,975
Prepaid expenses and deposits	5,450	3,903
	<u>59,962</u>	<u>134,272</u>
Equipment (note 2)	18,174	20,673
	<u>\$ 78,136</u>	<u>\$ 154,945</u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,606	\$ 13,246
Deferred contributions for equipment purchases (note 3)	15,237	20,673
Net assets:		
Invested in equipment	2,937	-
Unrestricted net assets	<u>35,356</u>	<u>121,026</u>
	<u>38,293</u>	<u>121,026</u>
	<u>\$ 78,136</u>	<u>\$ 154,945</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

Year ended December 31, 2011, with comparative figures for 2010  
 (Unaudited)

	2011	2010
<b>Revenue:</b>		
Membership levy	\$ 610,000	\$ 570,000
Downtown on call	45,000	45,000
Clean team	32,963	29,617
Downtown Concierge	13,409	14,000
Events	72,824	35,491
Marketing and promotion	1,939	1,833
Amortization of deferred contributions	5,436	5,436
	<u>781,571</u>	<u>701,377</u>
<b>Expenses:</b>		
Amortization	5,856	5,436
Business recruitment	2,560	3,382
Clean team	46,723	50,165
Downtown Concierge	29,965	18,456
Downtown on call	182,265	161,497
Events	167,565	52,421
Insurance	6,611	7,082
Marketing and promotion	115,468	42,385
Office and administration	45,563	34,428
Professional development	1,206	10,512
Professional fees	15,818	8,359
Rent	23,323	23,353
Communications	5,792	5,133
Wages and benefits	215,589	225,566
	<u>864,304</u>	<u>648,175</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (82,733)</b>	<b>\$ 53,202</b>

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, 2011, with comparative figures for 2010  
 (Unaudited)

	Invested in equipment	Unrestricted	2011	2010
Net assets, beginning of year	\$ -	\$ 121,026	\$ 121,026	\$ 67,824
Excess (deficiency) of revenues over expenses	(420)	(82,313)	(82,733)	53,202
Purchase of equipment	3,357	(3,357)	-	-
<b>Net assets, end of year</b>	<b>\$ 2,937</b>	<b>\$ 35,356</b>	<b>\$ 38,293</b>	<b>\$ 121,026</b>

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, 2011, with comparative figures for 2010  
 (Unaudited)

	2011	2010
Cash provided by (used in):		
Operating activities:		
Cash received from membership levies	\$ 610,000	\$ 570,000
Cash received from City of Kelowna	93,295	72,968
Cash received from other revenues	63,317	53,017
Cash paid to suppliers and employees	(842,713)	(656,190)
	(76,101)	39,795
Investing activities:		
Purchase of equipment	(3,357)	-
Increase (decrease) in cash	(79,458)	39,795
Cash, beginning of year	124,394	84,599
Cash, end of year	\$ 44,936	\$ 124,394

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, 2011  
(Unaudited)

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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 using the rates summarized below. 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.

Asset	Rate
Equipment	10%
Furniture and fixtures	25%

#### (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 operations on the same basis as the related equipment amortization.

# KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2011  
(Unaudited)

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## 1. Significant accounting policies (continued):

### (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.

### (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.

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

Notes to Financial Statements (continued)

Year ended December 31, 2011  
 (Unaudited)

**1. Significant accounting policies (continued):**

(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.

**2. Equipment:**

			2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value		
Equipment	\$ 74,502	\$ 59,265	\$ 15,237	\$ 20,673		
Furniture and fixtures	3,357	420	2,937	-		
	\$ 77,859	\$ 59,685	\$ 18,174	\$ 20,673		

**3. Deferred contributions for equipment purchases:**

	2011		2010	
Balance, beginning of year	\$	20,673	\$	26,109
Amount amortized to revenue		(5,436)		(5,436)
	\$	15,237	\$	20,673

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

Notes to Financial Statements (continued)

Year ended December 31, 2011  
(Unaudited)

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**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 May 15, 2015, 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 federal and municipal funding for current programs. 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 assets. The Society's objective when managing capital is to safeguard its ability to operate and fund its future operations.

**DOWNTOWN KELOWNA BUSINESS IMPROVEMENT AREA SOCIETY  
BUDGET 2012**

	<b>2012 Budget</b>	<b>2011 Actuals</b>
<b>Revenue</b>		
Membership Levy	652,000	610,000
Downtown On Call	45,000	45,000
Downtown Clean Team	32,500	32,963
Downtown Concierge	9,333	13,409
Events	36,000	72,824
Marketing and Promotions	1,900	1,939
Amortization of deferred contributions	5,436	5,436
	<hr/> 782,169	<hr/> 781,571
<b>Expenses</b>		
Amortization	5,436	5,856
Downtown On Call	185,000	182,265
Downtown Clean Team	47,000	46,723
Downtown Concierge	24,000	29,965
Events	68,000	171,280
Marketing and Promotions	95,300	111,753
Business Recruitment	5,000	2,560
Office and Administration	51,090	45,563
Wages and Benefits	245,475	215,589
Professional Development	6,500	1,206
Rent	23,618	23,323
Communications	6,000	5,792
Insurance	6,750	6,611
Professional Fees	13,000	15,818
	<hr/> 782,169	<hr/> 864,304
Excess of revenues over expenses	-	(82,733)
Net assets, beginning of Year	38,293	121,026
Net assets, end of Year	<hr/> <hr/> 38,293	<hr/> <hr/> 38,293

# DOWNTOWN KELOWNA

March 1, 2012

The Downtown Kelowna Association Board of Directors is voted by annually by the membership and serve a two year term. Any property owner, leasee, or tenant located within the Downtown BIA boundary is eligible for nomination and election.

**Downtown Kelowna Association Board of Directors current listing:**

**President** – Andrew Brunton, Pushor Mitchell  
**Vice President** – Dallas Gray, K96.3 FM  
**Treasurer** – Rob Collins, Grant Thornton  
**Secretary** – Dan Allen, Doc Willoughby's Public House  
**Past President** – Steve Stinson, The Keg Steakhouse

Perry Freeman, Colliers International  
Brent Lobson, Imperial Parking  
Jenny Rutherford, Tourism Kelowna  
Trevor Neill, Mosaic Books  
Heather Farris, Delta Grand Okanagan Resort  
Jan Johnson, Tigerlily Fashions  
Dustin Sargent, Davara Enterprises  
David Knapp, Canadian Imperial Bank of Commerce  
Renee Wasylyk, Troika Developments

**Ex-Officio** - Councillor Luke Stack

200 – 287 Bernard Avenue  
Kelowna, British Columbia V1Y 6N2  
downtownkelowna.com

The Downtown Kelowna Association (DKA) is a registered not-for-profit society with a mission to ensure the Downtown Kelowna neighbourhood is a safe and desirable place to conduct business, live and work. The DKA officially became an entity in November 1989 funded through an improvement levy collected by the municipality from commercial properties in the area. The annual levy becomes the Association's base operating budget upon which the organization leverages additional funding from partners, including various levels of governments and corporate sponsors, to support programs and initiatives.