

Financial Statements of

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

Year ended December 31, 2022



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INDEPENDENT PRACTITIONERS' REPORT

To the Members of Kelowna Downtown Business Improvement Area Society

We have reviewed the accompanying financial statements of Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society"), which comprise the statement of financial position as at December 31, 2022, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. Based on our review, nothing has come to our attention that causes us to believe that the significant accounting policies applied in preparing these financial statements have not been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Kelowna, Canada

March 1, 2023

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)
Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 187,740	\$ 330,498
Restricted cash and cash equivalents	42,910	42,637
Accounts receivable	4,547	6,898
Prepaid expenses	6,865	1,596
	<u>242,062</u>	<u>381,629</u>
Capital assets (note 2)	36,492	69,185
	<u>\$ 278,554</u>	<u>\$ 450,814</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 40,949	\$ 41,817
Net assets:		
Invested in capital assets	36,492	69,185
Internally restricted	42,910	42,637
Unrestricted	158,203	297,175
	<u>237,605</u>	<u>408,997</u>
Commitments (note 4)		
	<u>\$ 278,554</u>	<u>\$ 450,814</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

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Membership levy	\$ 1,137,572	\$ 1,126,084
Clean team	38,973	58,982
Downtown concierge	14,584	21,280
Downtown on call	70,000	70,000
Events	47,682	17,206
Other	1,202	485
	1,310,013	1,294,037
Expenses:		
Amortization	34,819	32,674
Business recruitment	8,277	-
Clean team	225,594	189,450
Communications	5,509	4,833
Downtown concierge	29,917	42,235
Downtown on call	482,055	485,758
Events	131,149	42,959
Insurance	9,163	9,679
Marketing and promotion	94,617	124,494
Office and administration	58,644	47,150
Professional development	5,774	922
Professional fees	19,499	19,116
Rent	49,071	38,814
Wages and benefits	327,317	255,883
	1,481,405	1,293,967
Excess (deficiency) of revenue over expenses	\$ (171,392)	\$ 70

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, 2022, with comparative information for 2021

December 31, 2022	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 69,185	\$ 42,637	\$ 297,175	\$ 408,997
Excess (deficiency) of revenue over expenses	(34,819)	273	(136,846)	(171,392)
Purchase of capital assets	2,126	-	(2,126)	-
Net assets, end of year	\$ 36,492	\$ 42,910	\$ 158,203	\$ 237,605

December 31, 2021	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 70,526	\$ 42,448	\$ 295,953	\$ 408,927
Excess (deficiency) of revenue over expenses	(32,674)	189	32,555	70
Purchase of capital assets	31,333	-	(31,333)	-
Net assets, end of year	\$ 69,185	\$ 42,637	\$ 297,175	\$ 408,997

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Cash received from City of Kelowna	\$ 1,251,496	\$ 1,339,057
Cash received from other revenues	60,868	37,466
Cash paid to suppliers and employees	(1,452,723)	(1,245,095)
	(140,359)	131,428
Investing activities:		
Transfer to restricted cash and cash equivalents	(273)	(189)
Purchase of capital assets	(2,126)	(31,333)
	(2,399)	(31,522)
Increase (decrease) in cash	(142,758)	99,906
Cash, beginning of year	330,498	230,592
Cash, end of year	\$ 187,740	\$ 330,498

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, 2022

Kelowna Downtown Business Improvement Area Society (operating as Downtown Kelowna Association) (the "Society") is a non-profit association, registered under the Society Act (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:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Society's significant accounting policies are as follows:

(a) Internally restricted net assets:

Internally restricted net assets consists of a contingency reserve established by the Board for approved expenses. The reserve is fully funded at all times and interest earned is retained within the reserve.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash and short-term, liquid instruments readily convertible into cash.

(c) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. When Society's management determines that some or all of its capital assets no longer contribute to the Society's ability to carry out its operations, the carrying amount of the assets are written down to their residual value. Amortization is provided using the straight-line method and the following annual rates, when the asset is available for use:

Asset	Rate
Equipment	30%
Furniture and fixtures	25%
Computer equipment	30%
Website	30%
Leasehold improvements	lesser of remaining lease term and 20%

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)
Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which include the membership levy, administered by the City of Kelowna, and government grants (including municipal and federal grants for clean team, downtown concierge and downtown on call). 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.

(e) 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, they are not recognized in these financial statements.

(f) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Items subject to such estimates and assumptions include the useful lives of the Society's capital assets. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 186,830	\$ 179,608	\$ 7,222	\$ 22,512
Furniture and fixtures	60,768	56,689	4,079	7,509
Computer equipment	21,694	16,331	5,363	7,538
Website	39,325	19,497	19,828	31,626
Leasehold improvements	8,981	8,981	-	-
	\$ 317,598	\$ 281,106	\$ 36,492	\$ 69,185

3. Related party transactions:

During the normal course of its operations, the Society enters into transactions with Downtown Kelowna business, including entities affiliated with its Directors. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Commitments:

The Society leases its office space under an operating lease, expiring April 30, 2024. The lease terms provide for base annual rent payments as outlined below plus additional lease costs for common area costs, utilities, property taxes and management fees. Future minimum lease payments to maturity are as follows:

2023	\$ 25,600
2024	8,600
	\$ 34,200

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Remuneration paid to directors, employees and contractors:

In accordance with the Societies Act (British Columbia) Section 36.1 and Societies Regulation 9.2(b):

The Directors of the Society receive no remuneration for the performance of their responsibilities as Directors.

As required by the Societies Act (British Columbia), the Society paid remuneration, including benefits, of \$75,000 or greater to two employees (2021 - one) for services for total remuneration of \$ 164,493.

6. Financial risks:

(a) Economic dependence:

The Society receives funding from the City of Kelowna through a member levy charged and collected by the City through its property tax system. The Society also receives other grant funding from the City and from federal and provincial government programs. Future operations of the Society depend on the continuation of funding from the City of Kelowna and renewal of the City's membership levy by-law. The current by-law expires December 31, 2023.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2021.