Financial Statements of

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)

Year ended December 31, 2025

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT 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), which comprise the statement of financial position as at December 31, 2025, the statement of operations, statement of changes in net assets and statement of 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.

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 Kelowna Downtown Business Improvement Area Society as at December 31, 2025, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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 30, 2026

KELOWNA DOWNTOWN BUSINESS IMPROVEMENT AREA SOCIETY

(OPERATING AS DOWNTOWN KELOWNA ASSOCIATION)
Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	$ 68,048	$ 187,260
Restricted cash and cash equivalents	117,264	45,743
Accounts receivable	47,403	6,509
Prepaid expenses	2,246	6,558
	234,961	246,070
Capital assets (note 2)	75,668	8,012
	$ 310,629	$ 254,082
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 30,474	$ 61,494
Net assets:		
Invested in capital assets	75,668	8,012
Internally restricted	117,264	45,743
Unrestricted	87,223	138,833
	280,155	192,588
Commitments (note 4)		
	$ 310,629	$ 254,082

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, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Membership levy	$ 1,335,860	$ 1,263,741
Clean team	81,101	74,221
Downtown concierge	-	5,543
Downtown on call	144,092	106,305
Events	111,777	108,462
Other	1,537	30,079
	1,674,367	1,588,351
Expenses:		
Amortization	16,317	12,530
Business recruitment	7,791	8,060
Clean team	258,523	283,110
Communications	5,040	5,968
Downtown concierge	12,838	19,169
Downtown on call	569,377	557,651
Events	145,720	165,877
Insurance	10,184	9,888
Marketing and promotion	75,970	128,129
Office and administration	60,520	54,329
Professional development	6,682	2,791
Professional fees	17,695	21,041
Rent	77,198	66,131
Wages and benefits	325,445	310,766
	1,589,300	1,645,440
	85,067	(57,089)
Gain on disposal of capital assets	2,500	-
Excess (deficiency) of revenue over expenses	$ 87,567	$ (57,089)

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, 2025, with comparative information for 2024

December 31, 2025	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	$ 8,012	$ 45,743	$ 138,833	$ 192,588
Excess (deficiency) of revenue over expenses	(13,817)	1,521	99,863	87,567
Purchase of capital assets	83,973	-	(83,973)	-
Proceeds on disposal of capital assets	(2,500)	-	2,500	-
Transfer of net assets	-	70,000	(70,000)	-
Net assets, end of year	$ 75,668	$ 117,264	$ 87,223	$ 280,155

December 31, 2024	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year	$ 15,013	$ 44,054	$ 190,610	$ 249,677
Excess (deficiency) of revenue over expenses	(12,530)	1,689	(46,248)	(57,089)
Purchase of capital assets	5,529	-	(5,529)	-
Net assets, end of year	$ 8,012	$ 45,743	$ 138,833	$ 192,588

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, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Cash received from membership levy and City of Kelowna grants	$ 1,522,491	$ 1,447,930
Cash received from other revenue	110,982	139,855
Cash paid to suppliers and employees	(1,599,691)	(1,620,726)
	33,782	(32,941)
Investing activities:		
Transfer to restricted cash and cash equivalents	(71,521)	(1,689)
Purchase of capital assets	(83,973)	(5,529)
Proceeds on disposal of capital assets	2,500	-
	(152,994)	(7,218)
Decrease in cash	(119,212)	(40,159)
Cash, beginning of year	187,260	227,419
Cash, end of year	$ 68,048	$ 187,260

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, 2025

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 include 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%

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.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	$ 223,510	$ 152,133	$ 71,377	$ -
Furniture and fixtures	62,178	61,297	881	1,484
Computer equipment	30,248	26,838	3,410	6,528
Website	39,325	39,325	-	-
Leasehold improvements	8,981	8,981	-	-
	$ 364,242	$ 288,574	$ 75,668	$ 8,012

3. Related party transactions:

During the normal course of its operations, the Society may enter into transactions with Downtown Kelowna businesses, 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, 2029. 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. Based annual rent to expiry of current lease term is as follows:

2026	$ 44,021
2027	45,175
2028	46,329
2029	15,571
	$ 151,096

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 one employee (2024 - two, $187,625) for services for total remuneration of $92,000.

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, 2028.

6. Financial risks: (continued):

(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 2024.