

**KINGSTON ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 1999





AUDITORS' REPORT

To: The Board of Directors
Kingston Economic Development Corporation

We have audited the statement of financial position of Kingston Economic Development Corporation as at December 31, 1999 and the statements of revenue and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the organization's management and the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were appointed auditors of the organization after the year end, we were not able to observe the counting of physical inventories at the end of the year nor satisfy ourselves concerning those inventory quantities by alternative means. Since closing inventories enter into the determination of the results of operations and changes in cash flow, we were unable to determine whether adjustments to expenditures, excess revenue for the year, closing net assets and cash provided from operations might be necessary.

In our opinion except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine closing inventory quantities, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Prior year's figures were audited by other accountants.

Kingston, Ontario
March 29, 2000

Chartered Accountants

KINGSTON ECONOMIC DEVELOPMENT CORPORATION
(Incorporated as a not-for-profit organization under the laws of the province of Ontario)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1999

	<u>1999</u>	<u>1998</u>
ASSETS		
Current		
Cash	\$ 59,407	\$ 282,106
Accounts receivable	307,543	128,950
Other taxes recoverable	4,864	3,141
Inventory	23,677	-
Prepaid expenses	<u>23,130</u>	<u>5,919</u>
	<u>418,621</u>	<u>420,116</u>
Capital - Note 2	<u>131,609</u>	<u>39,128</u>
	<u>\$ 550,230</u>	<u>\$ 459,244</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 97,080	\$ 102,011
Deferred revenue	<u>4,553</u>	<u>8,727</u>
	<u>101,633</u>	<u>110,738</u>
Due to CFB Task Force - Note 3	<u>10,193</u>	<u>10,069</u>
NET ASSETS		
Net assets internally restricted for Performance and Contribution - Note 4	3,209	19,869
Net assets internally restricted for Knowledge Based Enterprises - Note 4	27,500	27,500
Net assets invested in capital assets	131,609	39,128
Unrestricted net assets	<u>276,086</u>	<u>251,940</u>
	<u>438,404</u>	<u>338,437</u>
	<u>\$ 550,230</u>	<u>\$ 459,244</u>

Approved on behalf of the Board

.....Director

.....Director



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 1999

	1999				
	<u>Internally restricted for Performance and Contribution</u>	<u>Internally restricted for Knowledge Based Enterprises</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Balance - beginning of the year	\$ 19,869	\$ 27,500	\$ 39,128	\$ 251,940	\$ 338,437
Excess revenue for the year	(16,660)	-	(27,194)	143,821	99,967
Investment in capital assets	-	-	119,675	(119,675)	-
Interfund transfers	-	-	-	-	-
Balance - end of the year	<u>\$ 3,209</u>	<u>\$ 27,500</u>	<u>\$ 131,609</u>	<u>\$ 276,086</u>	<u>\$ 438,404</u>

	1998				
	<u>Internally restricted for Performance and Contribution</u>	<u>Internally restricted for Kingston Technology Exchange Centre</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Balance - beginning of the year	\$ -	\$ -	\$ -	\$ -	\$ -
Excess revenue for the year	-	-	(7,395)	345,832	338,437
Investment in capital assets	-	-	46,523	(46,523)	-
Interfund transfers	<u>19,869</u>	<u>27,500</u>	<u>-</u>	<u>(47,369)</u>	<u>-</u>
Balance - end of the year	<u>\$ 19,869</u>	<u>\$ 27,500</u>	<u>\$ 39,128</u>	<u>\$ 251,940</u>	<u>\$ 338,437</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>1999</u>	<u>1998</u>
Revenue		
Administration cost recovery and interest income	\$ 36,669	\$ 15,760
Industrial, commercial and institutional development	204,425	172,126
Investment from City of Kingston	800,000	795,000
Small business	106,217	138,348
Tourism marketing and promotion	278,300	57,814
Transition - Note 8	185,125	106,321
Visitor Welcome Centre	<u>277,303</u>	<u>186,225</u>
	<u>1,888,039</u>	<u>1,471,594</u>
Expenditures		
Amortization	27,194	7,395
Enhanced program	-	41,000
Industrial, commercial and institutional development	408,023	345,764
Small business	188,314	111,662
Staff programs	133,998	161,195
Tourism marketing and promotion	560,851	183,300
Transition - Note 8	152,743	59,799
Visitor Welcome Centre	<u>316,949</u>	<u>223,042</u>
	<u>1,788,072</u>	<u>1,133,157</u>
Excess revenue for the year	<u>\$ 99,967</u>	<u>\$ 338,437</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>1999</u>	<u>1998</u>
Cash flow from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 1,690,994	\$ 1,351,371
Cash paid to suppliers and employees	<u>(1,794,018)</u>	<u>(1,032,811)</u>
Cash flow from operating activities	<u>(103,024)</u>	<u>318,560</u>
Cash flow from investing activities		
Purchase of fixed assets	<u>(119,675)</u>	<u>(46,523)</u>
Cash flow from financing activities		
Advance of loan from CFB Task Force	<u>-</u>	<u>10,069</u>
Net (decrease) increase in cash and cash equivalents for the year	(222,699)	282,106
Cash and cash equivalents at the beginning of the year	<u>282,106</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 59,407</u>	<u>\$ 282,106</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

Kingston Economic Development Corporation (KEDCO) was incorporated January 6, 1998 under the laws of Ontario. The corporation's mission is to undertake and promote economic development for Kingston, fostering local investment, job creation, assessment growth and community prosperity through the support of strategic economic projects in the industrial, commercial, institutional, technological and tourism sectors.

1. Accounting policies

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

a) Basis of presentation

Sources of revenue and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Revenue recognition

The Corporation follows the deferral method of accounting for contributions. 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 to be received can be reasonably estimated and collection is reasonably assured.

c) Inventory

Inventory is stated at the lower of cost or market value, cost being computed using the retail inventory method. Obsolete and slow-moving items are written down to their net realizable values.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

1. Accounting policies (continued)

d) Amortization

Capital assets are recorded at cost and amortization is provided using the straight-line method at the following annual rates:

Computer software	2 years
Computer hardware	3 years
Furniture and equipment	5 years
Display units	7 years
Signs	7 years
Voicemail system	7 years
Leasehold improvements	10 years

Capital assets include capital assets purchased from the former Kingston Area Economic Development Commission (KAEDC). The net assets of KAEDC were purchased by KEDCO for \$1.

2. Fixed assets

	1999			1998 Net
	Cost	Accumulated Amortization	Net	
KAEDC assets	\$ 1	\$ -	\$ 1	\$ 1
Computer software	5,794	2,897	2,897	-
Computer hardware	16,095	6,675	9,420	2,620
Furniture and equipment	15,277	3,055	12,222	-
Display units	25,764	5,014	20,750	7,996
Signs	27,586	6,402	21,184	14,766
Voicemail system	16,035	4,581	11,454	13,745
Leasehold improvements	59,646	5,965	53,681	-
	<u>\$ 166,198</u>	<u>\$ 34,589</u>	<u>\$ 131,609</u>	<u>\$ 39,128</u>

3. Due to CFB Task Force

These funds are restricted by externally imposed restrictions for the benefit of the CFB Task Force. Any investment income earned on these funds is also restricted for specific projects and activities of the CFB Task Force.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

4. Restrictions on net assets

During the year, the Board of Directors redesignated the Kingston Technology Exchange Centre restricted fund for Knowledge Based Enterprises.

The purpose of the Performance and Contribution fund is to provide financial consideration to employees.

During 1998 the Board of Directors internally restricted \$19,869 for Performance and Contribution and \$27,500 for Knowledge Based Enterprises.

5. Commitments

The corporation rents office space under an operating lease expiring July 31, 2000. Annual lease payments (exclusive of property taxes) for the remaining seven months total \$20,800.

The corporation rents the Visitor Welcome Centre under an operating lease expiring December 31, 2004. The annual lease payments are \$16,000.

The corporation rents the Fort Henry Information Centre under an operating lease from May to September each year, expiring September 30, 2004. The annual lease payments are \$3,500.

The corporation is committed to two equipment leases. The total annual lease payments over the next two years are as follows:

2000	\$ 20,732
2001	9,166

According to a Memorandum of Understanding, the corporation has committed "through cash or cash in kind, \$200,000 towards the start-up and/or operating costs" of the Kingston Technology Exchange Centre over the next 12 years. Management has interpreted this to mean that the contributions can be cash and/or in-kind contributions. To date, \$49,784 (1999 - nil) cash has been contributed and \$65,000 (1999 - \$20,000) of in-kind contributions have been made.

6. Contingencies

The interest of the former Township of Ernestown in the net assets of the former Kingston area Economic Development Commission has not been determined. No provision has been made in these financial statements for any claim that may arise.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

7. Pension costs and obligations

The corporation made contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of seven members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employee based on the length of service and rate of pay.

The amount contributed to OMERS for 1999 was \$nil (1998 - \$12,198) for current service and is included as an expenditure in the financial statements.

8. Transition

Capital assets include \$32,383 (1998 - \$46,521) spent from transition funds. This amount will be recognized as amortization expenditure over the next two to six years. During 1999, \$12,702 (1998 - \$7,395) was recognized.

9. Related party transactions

The Corporation of the City of Kingston significantly influences KEDCO by virtue of the fact that the City has both Board representation and economic interest.

The city provided "investment" revenue of \$800,000 (1998 - \$795,000) and transition funding in the amount of \$185,125 (1998 - \$106,321). KEDCO paid rent of \$16,391 (1998 - \$12,198) to the City for the Visitor Welcome Centre.

Accounts receivable include \$185,833 (1998 - \$105,743) due from the City and accounts payable include \$7,273 (1998 - \$10,305) due to the City.

All related party transactions noted above have been measured at carrying value.

10. Comparative amounts

Certain 1998 financial statement amounts have been reclassified to conform with the presentation adopted in the current year.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

**SCHEDULE OF REVENUE BY SOURCE
FOR THE YEAR ENDED DECEMBER 31, 1999**

Investment from City of Kingston	\$ 985,125
Partnership revenue	333,033
Events and seminars	7,407
Resale materials	187,628
Interest	11,954
Federal government	186,428
Provincial government	<u>176,464</u>
	<u>\$1,888,039</u>

