

**KINGSTON ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2000





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, 2000 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 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 previous year end, we were not able to observe the counting of physical inventories at the end of the previous year nor satisfy ourselves concerning those inventory quantities by alternative means. Since opening 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, opening 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 opening 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, 2000 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Our previous auditors' report dated, April 4, 2001 has been withdrawn and the income statement has been revised to remove the reference to Note 10 in the financial statements.

Kingston, Ontario
April 4, 2001
Reissued: October 11, 2001

Collins Blay Co
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, 2000

	<u>2000</u>	<u>1999</u>
ASSETS		
Current		
Cash	\$ 245,590	\$ 59,407
Accounts receivable	316,849	307,543
Other taxes recoverable	17,003	4,864
Inventory	48,023	23,677
Prepaid expenses	<u>14,052</u>	<u>23,130</u>
	<u>641,517</u>	<u>418,621</u>
Capital - Note 2	<u>181,921</u>	<u>131,609</u>
	<u>\$ 823,438</u>	<u>\$ 550,230</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 175,472	\$ 97,080
Deferred revenue	<u>200,000</u>	<u>4,553</u>
	<u>375,472</u>	<u>101,633</u>
Deferred contributions related to capital assets - Note 3	<u>73,771</u>	<u>-</u>
Due to CFB Task Force - Note 4	<u>10,742</u>	<u>10,193</u>
NET ASSETS		
Net assets internally restricted for Performance and Contribution - Note 5	3,209	3,209
Net assets internally restricted for Knowledge Based Enterprises	-	27,500
Net assets invested in capital assets - Note 6	108,150	131,609
Unrestricted net assets	<u>252,094</u>	<u>276,086</u>
	<u>363,453</u>	<u>438,404</u>
	<u>\$ 823,438</u>	<u>\$ 550,230</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, 2000

	2000				
	Internally restricted for Performance and Contribution	Internally restricted for Knowledge Based Enterprises	Invested in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 3,209	\$ 27,500	\$ 131,609	\$ 276,086	\$ 438,404
Excess expenditures for the year	-	-	(29,809)	(45,142)	(74,951)
Investment in capital assets	-	-	6,350	(6,350)	-
Interfund transfers	-	(27,500)	-	27,500	-
Balance - end of the year	<u>\$ 3,209</u>	<u>\$ -</u>	<u>\$ 108,150</u>	<u>\$ 252,094</u>	<u>\$ 363,453</u>

	1999				
	Internally restricted for Performance and Contribution	Internally restricted for Knowledge Based Enterprises	Invested in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 19,869	\$ 27,500	\$ 39,128	\$ 251,940	\$ 338,437
Excess (expenditures) 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>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>2000</u>	<u>1999</u>
Revenue		
Administration cost recovery and interest income	\$ 55,118	\$ 36,669
Industrial, commercial and institutional development	377,235	204,425
Investment from City of Kingston	800,000	800,000
Small business	225,993	106,217
Tourism marketing and promotion	526,544	278,300
Transition	-	185,125
Visitor Welcome Centre	348,129	277,303
Amortization of deferred contributions - Note 3	<u>9,663</u>	<u>-</u>
Total revenue - Schedule A	<u>2,342,682</u>	<u>1,888,039</u>
Expenditures		
Amortization	39,472	27,194
Industrial, commercial and institutional development	587,272	408,023
Small business	397,275	188,314
Staff programs	120,780	133,998
Tourism marketing and promotion	832,903	560,851
Transition	-	152,743
Visitor Welcome Centre	<u>439,931</u>	<u>316,949</u>
Total expenditures - Schedule A	<u>2,417,633</u>	<u>1,788,072</u>
Excess (expenditures) revenue for the year	<u>\$ (74,951)</u>	<u>\$ 99,967</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>2000</u>	<u>1999</u>
Cash flow from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 2,525,575	\$ 1,690,994
Cash paid to suppliers and employees	<u>(2,249,608)</u>	<u>(1,794,018)</u>
Cash flow from operating activities	<u>275,967</u>	<u>(103,024)</u>
Cash flow from investing activities		
Purchase of fixed assets	<u>(89,784)</u>	<u>(119,675)</u>
Net increase (decrease) in cash and cash equivalents for the year	186,183	(222,699)
Cash and cash equivalents at the beginning of the year	<u>59,407</u>	<u>282,106</u>
Cash and cash equivalents at the end of the year	<u>\$ 245,590</u>	<u>\$ 59,407</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

General

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, 2000

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.

e) Donated materials and services

Donated materials and services are recorded as contributions at their fair market value at the date of donation. Included in partnership revenue is \$ 75,000 (1999 - nil) representing the estimated fair market value of professional contract services provided by Queen's University during the year.

2. Capital assets

	2000			1999 Net
	Cost	Accumulated Amortization	Net	
KAEDC assets	\$ 1	\$ -	\$ 1	\$ 1
Computer software	7,566	6,680	886	2,897
Computer hardware	21,981	14,002	7,979	9,420
Furniture and equipment	26,114	8,278	17,836	12,222
Display units	28,885	9,140	19,745	20,750
Signs	27,586	10,343	17,243	21,184
Voicemail system	16,035	6,872	9,163	11,454
Leasehold improvements	127,814	18,746	109,068	53,681
	<u>\$ 255,982</u>	<u>\$ 74,061</u>	<u>\$ 181,921</u>	<u>\$ 131,609</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

3. Deferred contributions related to capital assets

Deferred contributions related to capital assets represents restricted contributions with which the corporation purchased capital assets. The changes in the deferred contribution balance for the year are as follows:

	<u>2000</u>	<u>1999</u>
Balance - beginning of the year	\$ -	\$ -
Add: Contributed capital assets	83,434	-
Less: Amounts amortized to revenue	<u>9,663</u>	<u>-</u>
Balance - end of the year	<u>\$ 73,771</u>	<u>\$ -</u>

4. Due to CFB Task Force

These funds are subject to 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.

5. Restrictions on net assets

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. During the current year the Board of Directors unrestricted \$27,500 from Knowledge Based Enterprises.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

6. Net assets invested in capital assets

	<u>2000</u>	<u>1999</u>
Capital assets	\$ 181,921	\$ 131,609
Less: Deferred contributions related to capital assets	<u>73,771</u>	<u>-</u>
	<u>\$ 108,150</u>	<u>\$ 131,609</u>

7. Commitments

The corporation entered into an agreement in January, 2001 to rent office space under an operating lease expiring January, 2011. Annual lease payments over the next five years is as follows:

2001	\$ 102,119
2002	101,275
2003	101,275
2004	101,275
2005	101,275

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 three equipment leases. The total annual lease payments over the next four years are as follows:

2001	\$ 28,203
2002	20,768
2003	20,768
2004	1,731

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 - \$49,784) cash has been contributed and \$80,000 (1999 - \$65,000) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

8. 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 2000 was nil (1999 - nil) for current service and is included as an expenditure in the financial statements.

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 (1999 - \$800,000) and transition funding in the amount of nil (1999 - \$185,125). KEDCO paid rent of \$15,865 (1999 - \$16,391) to the City for the Visitor Welcome Centre and Fort Henry.

Accounts receivable include \$1,704 (1999 - \$185,833) due from the City and accounts payable include \$11,330 (1999 - \$7,273) due to the City.

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

10. Financial instruments

Concentration of credit risk

The company does not have a significant exposure to any individual customer or counter party. The company has a large customer base that is not concentrated in any particular industry.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF REVENUE BY SOURCE FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
Investment from City of Kingston	\$ 800,000	\$ 985,125
Partnership revenue and corporate investors	696,860	333,033
Events and seminars	16,528	7,407
Resale materials	237,171	187,628
Interest	8,724	11,954
Federal government	187,620	186,428
Provincial government	386,116	176,464
Amortization of deferred contributions - Note 3	9,663	-
	<u>\$2,342,682</u>	<u>\$1,888,039</u>

SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
Accounting and legal	\$ 18,412	\$ 36,078
Advertising	346,180	312,529
Amortization	39,472	27,194
Bad debts	2,568	14,403
Bank charges	5,854	4,299
Communications collaterals	138,594	138,614
Events and meetings	84,234	46,976
Insurance	6,681	6,212
Office and miscellaneous	55,839	48,758
Professional contractors	628,084	252,188
Professional development	3,074	4,252
Rent	63,252	58,637
Repairs and maintenance	61,907	51,090
Resale materials	133,297	107,382
Salaries and benefits	725,137	587,441
Sponsorships and donations	27,859	26,068
Telephone	23,554	22,534
Travel	53,635	43,417
	<u>\$2,417,633</u>	<u>\$1,788,072</u>

