

**KINGSTON ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2001





Collins Blay LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2001 and the statements of revenue and expenditures, changes in net assets and cash flows 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.

We conducted our audit in accordance with Canadian 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Kingston, Ontario
March 26, 2002

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, 2001**

	<u>2001</u>	<u>2000</u>
ASSETS		
Current		
Cash	\$ 321,678	\$ 245,590
Accounts receivable	347,615	316,849
GST recoverable	17,749	17,003
Inventory	62,498	48,023
Prepaid expenses	<u>182,878</u>	<u>14,052</u>
	<u>932,418</u>	<u>641,517</u>
Capital - Note 2	<u>183,217</u>	<u>181,921</u>
	<u>\$1,115,635</u>	<u>\$ 823,438</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 325,439	\$ 175,472
Deferred revenue - Note 3	<u>363,635</u>	<u>200,000</u>
	<u>689,074</u>	<u>375,472</u>
Deferred contributions related to capital assets - Note 4	<u>63,108</u>	<u>73,771</u>
Due to CFB Task Force - Note 5	<u>-</u>	<u>10,742</u>
NET ASSETS		
Internally restricted for Performance and Contribution - Note 6	-	3,209
Invested in capital assets - Note 7	120,108	108,150
Unrestricted	<u>243,345</u>	<u>252,094</u>
	<u>363,453</u>	<u>363,453</u>
	<u>\$1,115,635</u>	<u>\$ 823,438</u>

Approved on behalf of the Board

.....Director

.....Director



The accompanying notes are an integral part of these financial statements.

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2001

	2001				
	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	\$ -	\$ 108,150	\$ 252,094	\$ 363,453
Excess (expenditures) revenue for the year	(3,209)	-	(32,114)	35,323	-
Investment in capital assets	-	-	44,072	(44,072)	-
Balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,108</u>	<u>\$ 243,345</u>	<u>\$ 363,453</u>

	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>



The accompanying notes are an integral part of these financial statements.

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>2001</u>	<u>2000</u>
Revenue		
Base investment from City of Kingston	\$ 800,000	\$ 800,000
Additional investment from City of Kingston	442,886	-
Industrial, commercial and institutional development	317,381	377,235
Small business	188,723	225,993
Tourism marketing and promotion	506,390	526,544
Visitor Welcome Centre	375,351	348,129
Administration cost recovery and interest income	46,785	55,118
Amortization of deferred contributions - Note 4	<u>10,663</u>	<u>9,663</u>
Total revenue - Schedule A	<u>2,688,179</u>	<u>2,342,682</u>
Expenditures		
Industrial, commercial and institutional development	711,151	587,272
Small business	421,748	397,275
Staff programs	215,340	120,780
Tourism marketing and promotion	834,349	832,903
Visitor Welcome Centre	462,814	439,931
Amortization	<u>42,777</u>	<u>39,472</u>
Total expenditures - Schedule A	<u>2,688,179</u>	<u>2,417,633</u>
Excess expenditures for the year	<u>\$ -</u>	<u>\$ (74,951)</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 2,810,385	\$ 2,525,575
Cash paid to suppliers and employees	<u>(2,679,483)</u>	<u>(2,249,608)</u>
Cash flows from operating activities	<u>130,902</u>	<u>275,967</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(44,072)</u>	<u>(89,784)</u>
Cash flows from financing activities		
Repayment to CFB Task Force	<u>(10,742)</u>	<u>-</u>
Net increase in cash and cash equivalents for the year	76,088	186,183
Cash and cash equivalents at the beginning of the year	<u>245,590</u>	<u>59,407</u>
Cash and cash equivalents at the end of the year	<u>\$ 321,678</u>	<u>\$ 245,590</u>



The accompanying notes are an integral part of these financial statements.

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

General

Kingston Economic Development Corporation (KEDCO) is incorporated without share capital as a not-for-profit organization 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 Canadian 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, 2001

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 (2000 - \$75,000) representing the estimated fair market value of professional contract services provided by Queen's University during the year.

2. Capital assets

	2001			2000 Net
	Cost	Accumulated Amortization	Net	
KAEDC assets	\$ 1	\$ -	\$ 1	\$ 1
Computer software	8,021	7,793	228	886
Computer hardware	28,494	22,190	6,304	7,979
Furniture and equipment	37,730	15,824	21,906	17,836
Display units	29,476	13,351	16,125	19,745
Signs	32,620	15,003	17,617	17,243
Voicemail system	16,035	9,163	6,872	9,163
Leasehold improvements	<u>147,677</u>	<u>33,513</u>	<u>114,164</u>	<u>109,068</u>
	<u>\$ 300,054</u>	<u>\$ 116,837</u>	<u>\$ 183,217</u>	<u>\$ 181,921</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

3. Deferred revenue

	2001	2000
Provincial government - 2002 Ontario Service Games funding	\$ 119,260	\$ -
Base investment from City of Kingston	-	200,000
Additional investment from City of Kingston	207,114	-
Ministry of Economic Development and Trade	12,500	-
Publication and advertising revenue	24,761	-
	\$ 363,635	\$ 200,000

4. 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:

	2001	2000
Balance - beginning of the year	\$ 73,771	\$ -
Add: Contributed capital assets	-	83,434
Less: Amounts amortized to revenue	10,663	9,663
Balance - end of the year	\$ 63,108	\$ 73,771

5. 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. During the current year this amount was repaid to the CFB Task Force.

6. Restrictions on net assets

The purpose of the Performance and Contribution Fund is to provide financial consideration to employees. During the year, these funds were utilized towards increased compensation for staff.

During 1998 the Board of Directors internally restricted \$19,869 for Performance and Contribution and \$27,500 for Knowledge Based Enterprises. During 2000, 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, 2001

7. Net assets invested in capital assets

	2001	2000
Capital assets	\$ 183,217	\$ 181,921
Less: Deferred contributions related to capital assets	63,109	73,771
	\$ 120,108	\$ 108,150

8. 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 are as follows:

2002	\$	101,275
2003		101,275
2004		101,275
2005		101,275
2006		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 five years are as follows:

2002	\$	43,383
2003		43,383
2004		24,346
2005		16,544
2006		4,203

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” to 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, \$51,784 (2000 - \$49,784) cash has been contributed and \$100,000 (2000 - \$80,000) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

9. 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 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 2001 was nil (2000 - nil) as contributions were not required based on the performance of the fund.

10. Related party transactions

The Corporation of the City of Kingston significantly influences KEDCO by virtue of the fact that the City has representation on the Board of Directors and is the major source of revenue for KEDCO.

The City provided base investment revenue of \$800,000 (2000 - \$800,000). During the year, the City of Kingston approved additional funding in the amount of \$1,600,000 to KEDCO to be disbursed as follows:

2001	\$ 650,000
2002	\$ 950,000

The expectation is that KEDCO's economic development efforts during the period 2001 to 2003 would result in an increase in commercial and industrial assessments and the property taxes generated from these assessments during the years 2001 to 2008 would be sufficient to offset this funding and the City's costs of borrowing the funds.

Of the \$650,000 received during the year, \$442,886 has been recorded as revenue and the balance has been deferred.

KEDCO paid rent of \$19,342 (2000 - \$15,865) to the City for the Visitor Welcome Centre and Fort Henry.

Accounts receivable include \$4,771 (2000 - \$1,704) due from the City and accounts payable include \$1,334 (2000 - \$11,330) due to the City.

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

11. Financial instruments

Concentration of credit risk

The corporation does not have a significant exposure to any individual customer or counter party. The corporation 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, 2001

	2001	2000
Base investment from City of Kingston	\$ 800,000	\$ 800,000
Additional investment from City of Kingston	442,886	-
Partnership revenue and corporate investors	734,072	696,860
Events and seminars	9,555	16,528
Resale materials	263,712	237,171
Interest	7,579	8,724
Federal government	54,507	187,620
Provincial government	365,205	386,116
Amortization of deferred contributions - Note 4	10,663	9,663
	\$2,688,179	\$2,342,682

SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2001

	2001	2000
Accounting and legal	\$ 47,507	\$ 18,412
Advertising	372,025	346,180
Amortization	42,777	39,472
Bad debts	-	2,568
Bank charges	9,526	5,854
Communications collaterals	276,495	138,594
Events and meetings	105,592	84,234
Insurance	5,894	6,681
Office and miscellaneous	106,060	55,839
Professional contractors	486,755	628,084
Professional development	7,273	3,074
Rent	124,842	63,252
Repairs and maintenance	74,330	61,907
Resale materials	157,294	133,297
Salaries and benefits	763,322	725,137
Sponsorships and donations	29,314	27,859
Telephone	26,041	23,554
Travel	53,132	53,635
	\$2,688,179	\$2,417,633

The accompanying notes are an integral part of these financial statements.

