

**KINGSTON ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2002





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, 2002 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. 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, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Kingston, Ontario
February 21, 2003

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, 2002**

	<u>2002</u>	<u>2001</u>
ASSETS		
Current		
Cash	\$ 876,579	\$ 321,678
Accounts receivable	268,649	347,615
GST recoverable	14,398	17,749
Inventory	60,593	62,498
Prepaid expenses	<u>10,404</u>	<u>182,878</u>
	<u>1,230,623</u>	<u>932,418</u>
Capital - Note 2	<u>158,004</u>	<u>183,217</u>
	<u>\$1,388,627</u>	<u>\$1,115,635</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 179,215	\$ 325,439
Deferred revenue - Note 3	<u>712,509</u>	<u>363,635</u>
	<u>891,724</u>	<u>689,074</u>
Deferred contributions related to capital assets - Note 4	<u>53,003</u>	<u>63,108</u>
NET ASSETS		
Invested in capital assets - Note 5	105,001	120,108
Unrestricted	<u>338,899</u>	<u>243,345</u>
	<u>443,900</u>	<u>363,453</u>
	<u>\$1,388,627</u>	<u>\$1,115,635</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, 2002

	2002			
	Internally restricted for Performance and Contribution	Invested in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ -	\$ 120,108	\$ 243,345	\$ 363,453
Excess revenue (expenditures) for the year	-	(30,635)	111,082	80,447
Investment in capital assets	-	15,528	(15,528)	-
Balance - end of the year	<u>\$ -</u>	<u>\$ 105,001</u>	<u>\$ 338,899</u>	<u>\$ 443,900</u>

	2001			
	Internally restricted for Performance and Contribution	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>\$ 120,108</u>	<u>\$ 243,345</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, 2002

	<u>2002</u>	<u>2001</u>
Revenue		
Base investment from City of Kingston	\$ 795,000	\$ 800,000
Additional investment from City of Kingston	462,784	442,886
Partnership revenue and corporate investors	354,268	734,072
Federal government	90,315	54,507
Provincial government	426,000	365,205
Events and seminars	223,923	9,555
Resale materials	269,733	263,712
Interest	7,000	7,579
Amortization of deferred contributions - Note 4	<u>10,105</u>	<u>10,663</u>
	<u>2,639,128</u>	<u>2,688,179</u>
Expenditures		
Accounting and legal	29,861	47,507
Advertising	102,094	372,025
Amortization	40,740	42,777
Bad debts	16,726	-
Bank charges	6,417	9,526
Communications collaterals	215,690	276,495
Equipment rental	65,487	55,134
Events and meetings	184,170	105,592
Insurance	6,394	5,894
Office and miscellaneous	64,587	106,060
Professional contractors	363,439	486,755
Professional development	4,449	7,274
Rent	158,435	124,842
Repairs and maintenance	15,777	19,195
Resale materials	160,355	157,294
Salaries and benefits	813,949	763,322
Sponsorships and donations	25,868	29,314
Telephone	22,374	26,041
Travel	34,944	53,132
Travel, accommodation and meals - Ontario Senior Games	<u>226,925</u>	<u>-</u>
	<u>2,558,681</u>	<u>2,688,179</u>
Excess revenue for the year	<u>\$ 80,447</u>	<u>\$ -</u>



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

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 3,071,995	\$ 2,810,385
Cash paid to suppliers and employees	<u>(2,501,566)</u>	<u>(2,679,483)</u>
Cash flows from operating activities	<u>570,429</u>	<u>130,902</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(15,528)</u>	<u>(44,072)</u>
Cash flows from financing activities		
Repayment to CFB Task Force	<u>-</u>	<u>(10,742)</u>
Net increase in cash for the year	554,901	76,088
Cash at the beginning of the year	<u>321,678</u>	<u>245,590</u>
Cash at the end of the year	<u>\$ 876,579</u>	<u>\$ 321,678</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, 2002

Kingston Economic Development Corporation (the Corporation) is incorporated without share capital as a not-for-profit organization under the laws of the province 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) 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.

b) 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.

c) 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



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

1. Accounting policies (continued)

d) 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 \$61,000 (2001 - \$75,000) representing the estimated fair market value of professional contract services provided by Queen's University during the year.

2. Capital assets

	2002			2001 Net
	Cost	Accumulated Amortization	Net	
Computer software	\$ 8,021	\$ 8,021	\$ -	\$ 228
Computer hardware	32,094	27,523	4,571	6,304
Furniture and equipment	37,731	23,370	14,361	21,907
Display units	29,476	17,562	11,914	16,125
Signs	32,620	19,663	12,957	17,617
Voicemail system	27,964	13,158	14,806	6,872
Leasehold improvements	147,677	48,282	99,395	114,164
	<u>\$ 315,583</u>	<u>\$ 157,579</u>	<u>\$ 158,004</u>	<u>\$ 183,217</u>

3. Deferred revenue

	2002	2001
Provincial government - 2002 Ontario Senior Games funding	\$ -	\$ 119,260
Additional investment from City of Kingston	694,330	207,114
Ministry of Economic Development and Trade	15,000	12,500
Publication and advertising revenue	3,179	24,761
	<u>\$ 712,509</u>	<u>\$ 363,635</u>

4. Deferred contributions related to capital assets

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

	2002	2001
Balance - beginning of the year	\$ 63,108	\$ 73,771
Less: Amounts amortized to revenue	10,105	10,663
Balance - end of the year	<u>\$ 53,003</u>	<u>\$ 63,108</u>



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

5. Net assets invested in capital assets

	2002	2001
Capital assets	\$ 158,004	\$ 183,216
Less: Deferred contributions related to capital assets	53,003	63,108
	\$ 105,001	\$ 120,108

6. Commitments

The Corporation is committed to a lease for office space under an operating lease expiring January, 2011. Annual lease payments over the next five years are as follows:

2003	\$ 120,411
2004	120,411
2005	120,411
2006	120,411
2007	120,411

The Corporation rents the Tourist Information Office under an operating lease expiring December 31, 2004. The annual lease payments are \$16,892.

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:

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 by 2012. Management has interpreted this to mean that the contributions can be cash and/or in-kind contributions. To date, \$51,784 (2001 - \$51,784) cash has been contributed and \$110,000 (2001 - \$100,000) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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 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 2002 was nil (2001 - nil) as contributions were not required based on the performance of the fund.

8. Related party transactions

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

The City provided base investment revenue of \$795,000 (2001 - \$800,000). In 2001, the City of Kingston approved additional funding in the amount of \$1,600,000 to the Corporation which was disbursed as follows:

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

The expectation is that the Corporation'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.

The additional funding has been recorded as follows:

	2002	2001
Deferred revenue - beginning of the year	\$ 207,114	\$ -
Additional funding received during the year	950,000	650,000
Funding recognized as revenue during the year	(462,784)	(442,886)
Deferred revenue - end of the year	\$ 694,330	\$ 207,114

The Corporation paid rent of \$26,356 (2001 - \$19,342) to the City for the Tourist Information Office.

Accounts receivable include \$5,297 (2001 - \$4,771) due from the City and accounts payable include \$5,244 (2001 - \$1,334) due to the City.

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



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

9. Financial instruments

Fair value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue is approximately equal to their carrying value due to their short-term maturity dates.

10. Comparative amounts

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

