

**KINGSTON ECONOMIC
DEVELOPMENT
CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2003





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, 2003 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 Kingston Economic Development Corporation as at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kingston, Ontario
February 17, 2004

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, 2003

	<u>2003</u>	<u>2002</u>
ASSETS		
Current		
Cash	\$ 540,543	\$ 876,579
Accounts receivable	60,881	268,649
Inventory	32,575	60,593
Other taxes recoverable	7,874	14,398
Prepaid expenses	<u>12,946</u>	<u>10,404</u>
	<u>654,819</u>	<u>1,230,623</u>
Capital - Note 3	<u>125,957</u>	<u>158,004</u>
	<u>\$ 780,776</u>	<u>\$ 1,388,627</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 174,122	\$ 179,215
Deferred revenue - Note 4	<u>58,696</u>	<u>712,509</u>
	<u>232,818</u>	<u>891,724</u>
Deferred contributions related to capital assets - Note 5	<u>43,860</u>	<u>53,003</u>
NET ASSETS		
Investment in capital assets - Note 6	82,097	105,001
Unrestricted	<u>422,001</u>	<u>338,899</u>
	<u>504,098</u>	<u>443,900</u>
	<u>\$ 780,776</u>	<u>\$ 1,388,627</u>
Approved on behalf of the Board		
_____ Director		
_____ Director		



Unaudited

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, 2003

	2003		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 105,001	\$ 338,899	\$ 443,900
Excess (expenditures) revenue for the year	(34,972)	95,170	60,198
Investment in capital assets	12,068	(12,068)	-
Balance - end of the year	\$ 82,097	\$ 422,001	\$ 504,098

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



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, 2003

	2003	2002
Revenue		
Base investment from City of Kingston	\$ 795,000	\$ 795,000
Additional investment from City of Kingston	744,330	462,784
Partnership revenue and corporate investors	538,602	354,268
Federal government	20,315	90,315
Provincial government	264,083	426,000
Events and seminars	1,980	223,923
Resale materials	181,975	269,733
Interest	15,608	7,000
Amortization of deferred contributions - Note 5	9,143	10,105
	<u>2,571,036</u>	<u>2,639,128</u>
Expenditures		
Accounting and legal	17,203	29,861
Advertising	346,890	102,094
Amortization	44,115	40,740
(Recovery of) bad debts	(8,200)	16,726
Bank charges	3,542	6,417
Communications collaterals	117,413	215,690
Equipment rental	62,368	65,487
Events and meetings	97,672	184,170
Insurance	8,942	6,394
Office and miscellaneous	65,111	64,587
Professional contractors	438,182	363,439
Professional development	6,147	4,449
Rent	144,495	158,435
Repairs and maintenance	16,325	15,777
Resale materials	139,572	160,355
Salaries and benefits	908,395	813,949
Sponsorships and donations	24,667	25,868
Telephone	23,568	22,374
Travel	54,431	34,944
Travel, accomodation and meals - Ontario Senior Games	-	226,925
	<u>2,510,838</u>	<u>2,558,681</u>
Excess revenue for the year	<u>\$ 60,198</u>	<u>\$ 80,447</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, 2003

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 2,115,848	\$ 3,071,995
Cash paid to suppliers and employees	<u>(2,439,816)</u>	<u>(2,501,566)</u>
Cash flows from operating activities	<u>(323,968)</u>	<u>570,429</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(12,068)</u>	<u>(15,528)</u>
Net (decrease) increase in cash for the year	(336,036)	554,901
Cash at the beginning of the year	<u>876,579</u>	<u>321,678</u>
Cash at the end of the year	<u>\$ 540,543</u>	<u>\$ 876,579</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, 2003

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 expenditures 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 expenditures 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 valued at the lower of cost or market value where cost is 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

d) Donated materials and services

Donated materials and services are recorded as contributions at their fair market value at the date of the donation. Included in partnership revenue is \$43,750 (2002 - \$61,000) of donated materials and services.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

2. Cash

At December 31, 2003, the Corporation had invested \$312,321 (2002 - nil) in a money-market account. During the year, this account paid interest at the overnight money market rate less .75%.

3. Capital assets

	2003			2002 Net
	Cost	Accumulated Amortization	Net	
Computer software	\$ 8,021	\$ 8,021	\$ -	\$ -
Computer hardware	41,016	35,830	5,186	4,571
Furniture and equipment	40,874	31,544	9,330	14,361
Display units	29,476	21,772	7,704	11,914
Signs	32,620	24,323	8,297	12,957
Voicemail system	27,964	17,152	10,812	14,806
Leasehold improvements	147,677	63,049	84,628	99,395
	\$ 327,648	\$ 201,691	\$ 125,957	\$ 158,004

4. Deferred revenue

	2003	2002
Additional investment from City of Kingston	\$ -	\$ 694,330
Ministry of Economic Development and Trade	12,500	15,000
Publication and advertising revenue	44,946	3,179
Partnership revenue	1,250	-
	\$ 58,696	\$ 712,509

5. 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:

	2003	2002
Balance - beginning of the year	\$ 53,003	\$ 63,108
Less: Amounts amortized to revenue	9,143	10,105
Balance - end of the year	\$ 43,860	\$ 53,003



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

6. Net assets invested in capital assets

	<u>2003</u>	<u>2002</u>
Capital assets	\$ 125,957	\$ 158,004
Less: Deferred contributions related to capital assets	<u>43,860</u>	<u>53,003</u>
	<u>\$ 82,097</u>	<u>\$ 105,001</u>

7. Bank credit facility

At December 31, 2003, the Corporation had a short-term line of credit facility of \$100,000 (2002 - \$100,000) of which nil (2002 - nil) had been drawn down. The line of credit bears interest at prime plus 1% and is secured by a general security agreement.

8. 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:

2004	\$ 120,411
2005	120,411
2006	120,411
2007	120,411
2008	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, 2004. The annual lease payments are \$3,500.

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

2004	\$ 19,283
2005	17,552
2006	7,984

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 (2002 - \$51,784) cash has been contributed and \$120,000 (2002 - \$110,000) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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 2003 was \$13,042 (2002 - nil). Contributions in 2002 were not required based on the performance of the fund.

10. 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 (2002 - \$795,000). 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 the borrowed funds.

The additional funding has been recorded as follows:

	2003	2002
Deferred revenue - beginning of the year	\$ 694,330	\$ 207,114
Additional funding received during the year	-	950,000
Funding recognized as revenue during the year	(694,330)	(462,784)
Deferred revenue - end of the year	\$ -	\$ 694,330

The Corporation also received \$50,000 (2002 - nil) in funding for a business plan.

The Corporation paid rent of \$17,876 (2002 - \$26,356) to the City for the Tourist Information Office.

Accounts receivable include nil (2002 - \$5,297) due from the City and accounts payable include \$3,438 (2002 - \$5,244) due to the City.

The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

11. Financial instruments

Fair value

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

