

**KINGSTON ECONOMIC  
DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
WITH AUDITORS' REPORT**

**DECEMBER 31, 2004**





**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, 2004 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, 2004, 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 18, 2005

*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, 2004**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current		
Cash	\$ 804,911	\$ 540,543
Accounts receivable	178,701	60,881
Inventory	18,296	32,575
GST recoverable	26,099	8,617
Prepaid expenses	<u>12,278</u>	<u>12,946</u>
	<u>1,040,285</u>	<u>655,562</u>
Capital - Note 3	<u>102,091</u>	<u>125,957</u>
	<u>\$ 1,142,376</u>	<u>\$ 781,519</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 373,886	\$ 171,427
Due to City of Kingston	200,000	3,438
Deferred revenue - Note 4	<u>200</u>	<u>58,696</u>
	<u>574,086</u>	<u>233,561</u>
Deferred contributions related to capital assets - Note 5	<u>36,717</u>	<u>43,860</u>
<b>NET ASSETS</b>		
Investment in capital assets - Note 6	65,374	82,097
Unrestricted	<u>466,199</u>	<u>422,001</u>
	<u>531,573</u>	<u>504,098</u>
	<u>\$ 1,142,376</u>	<u>\$ 781,519</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, 2004

	2004		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 82,097	\$ 422,001	\$ 504,098
Excess (expenditures) revenue for the year	(32,624)	60,099	27,475
Investment in capital assets	15,901	(15,901)	-
Balance - end of the year	\$ 65,374	\$ 466,199	\$ 531,573

	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



*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, 2004

	2004	2003
<b>Revenue</b>		
Investment from City of Kingston	\$ 2,300,000	\$ 1,539,330
Partnership revenue and corporate investors	485,954	538,602
Federal government	68,979	20,315
Provincial government	547,802	264,083
Events and seminars	2,344	1,980
Resale materials	153,852	181,975
Interest	11,889	15,608
Amortization of deferred contributions - Note 5	7,143	9,143
	<u>3,577,963</u>	<u>2,571,036</u>
<b>Expenditures</b>		
Accounting and legal	28,055	17,203
Advertising	797,956	346,890
Amortization	39,767	44,115
Bad debts (recovery)	3,617	(8,200)
Bank charges	4,408	3,542
Communications collaterals	91,038	117,413
Equipment rental	60,605	62,368
Events and meetings	165,446	97,672
Insurance	10,156	8,942
Office and miscellaneous	65,069	65,111
Professional contractors	548,742	438,182
Professional development	11,492	6,147
Rent	142,669	144,495
Repairs and maintenance	23,353	16,325
Resale materials	65,721	139,572
Salaries and benefits	1,206,593	908,395
Sponsorships and donations	21,404	24,667
Telephone	23,035	23,568
Travel	41,362	54,431
	<u>3,350,488</u>	<u>2,510,838</u>
Excess revenue before other item	227,475	60,198
Repayment of investment from City of Kingston	(200,000)	-
Excess revenue for the year	<u>\$ 27,475</u>	<u>\$ 60,198</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, 2004

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Cash receipts from customers, partners and funding agencies	\$ 3,390,887	\$ 2,115,848
Cash paid to suppliers and employees	<u>(3,110,618)</u>	<u>(2,439,816)</u>
Cash flows from operating activities	<u>280,269</u>	<u>(323,968)</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(15,901)</u>	<u>(12,068)</u>
Net increase (decrease) in cash for the year	264,368	(336,036)
Cash at the beginning of the year	<u>540,543</u>	<u>876,579</u>
Cash at the end of the year	<u>\$ 804,911</u>	<u>\$ 540,543</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, 2004

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

Revenues from resale materials, events and seminars are recognized when merchandise is received by or service is provided to the customer.

#### b) Inventory

Inventory is valued at the lower of cost or market value where cost is computed using the average cost method. Obsolete and slow-moving items are written down to their estimated net realizable values.

#### c) Amortization

Capital assets are recorded at cost and amortization is provided using the straight-line method over the estimated useful life as follows:

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, 2004

### 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 the donation. Included in partnership revenue is \$24,000 (2003 - \$43,750) of donated materials and services. Included in provincial government revenue is \$228,069 (2003 - nil) of donated advertising.

### 2. Cash

At December 31, 2004, the organization had invested \$722,025 (2003 - \$312,321) in a money market account. During the year, this account paid interest at the overnight money market rate less .75%.

### 3. Capital assets

	2004			2003
	Cost	Accumulated Amortization	Net	
Computer software	\$ 8,021	\$ 8,021	\$ -	\$ -
Computer hardware	53,176	42,095	11,081	5,186
Furniture and equipment	44,616	37,413	7,203	9,330
Display units	29,476	25,983	3,493	7,704
Signs	32,620	28,983	3,637	8,297
Voicemail system	27,964	21,147	6,817	10,812
Leasehold improvements	147,677	77,817	69,860	84,628
	\$ 343,550	\$ 241,459	\$ 102,091	\$ 125,957

### 4. Deferred revenue

	2004	2003
Ministry of Economic Development and Trade	\$ -	\$ 12,500
Publication and advertising revenue	-	44,946
Partnership revenue	-	1,250
Tourism marketing revenue	200	-
	\$ 200	\$ 58,696





# KINGSTON ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

**5. Deferred contributions related to capital assets**

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

	2004	2003
Balance - beginning of the year	\$ 43,860	\$ 53,003
Less: Amounts amortized to revenue	7,143	9,143
Balance - end of the year	\$ 36,717	\$ 43,860

**6. Net assets invested in capital assets**

	2004	2003
Capital assets	\$ 102,091	\$ 125,957
Less: Deferred contributions related to capital assets	36,717	43,860
	\$ 65,374	\$ 82,097

**7. Bank credit facility**

At December 31, 2004, the organization had a short-term line of credit facility of \$100,000 (2003 - \$100,000) of which nil (2003 - 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 organization 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:

2005	\$ 118,973
2006	133,198
2007	133,492
2008	133,492
2009	133,492

The organization has subleased a portion of the space to the Greater Kingston Chamber of Commerce. The sublease expires October, 2005 with an option to renew for five years. Rent to be received in the next year is \$33,228.

The organization rents the Tourist Information Office under an operating lease which expired December 31, 2004. The annual lease payments were \$16,840. A new lease is in the process of being negotiated.

The organization rents the Fort Henry Information Centre under an operating lease which expired September, 2004. The annual lease payments were \$3,500. A new lease is in the process of being negotiated.



# KINGSTON ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

### 8. Commitments (continued)

The organization is committed to five equipment leases, expiring between May, 2006 and June, 2009. The total annual lease payments over the next five years are as follows:

2005	\$ 34,902
2006	31,967
2007	5,044
2008	3,084
2009	1,542

According to a Memorandum of Understanding, the organization 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, \$49,784 (2003 - \$49,784) cash has been contributed and \$131,880 (2003 - \$122,000) of in-kind contributions have been made.

### 9. Pension costs and obligations

The organization 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 2004 was \$42,129 (2003 - \$13,042).

### 10. Related party transactions

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

The City provided investment revenue of \$2,300,000 (2003 - \$1,539,330). The organization has agreed to repay \$200,000 in funding to the City of Kingston. The organization also received nil (2003 - \$50,000) in funding for a business plan.

The organization paid rent of \$17,654 (2003 - \$17,876) to the City for the Tourist Information Office.

Kingston Economic Development Corporation significantly influences Kingston Technology Exchange Centre by virtue of the fact that the organization has the ability to appoint 50% of the board members.

During the year, the organization received \$53,000 (2003 - \$48,385) in partnership revenue from Kingston Technology Exchange Centre. Included in accounts receivable at year end is \$52,403 (2003 - nil) due from Kingston Technology Exchange Centre.

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, 2004**

### **11. Financial instruments**

#### **Fair value**

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

### **12. Comparative amounts**

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

