

**KINGSTON ECONOMIC
DEVELOPMENT
CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2005





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, 2005 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, 2005, 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 27, 2006

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, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash - Note 2	\$ 550,282	\$ 804,911
Accounts receivable	144,774	178,701
Inventory	7,288	18,296
GST recoverable	26,413	26,099
Prepaid expenses	<u>20,006</u>	<u>12,278</u>
	<u>748,763</u>	<u>1,040,285</u>
Capital - Note 3	<u>73,277</u>	<u>102,091</u>
	<u>\$ 822,040</u>	<u>\$ 1,142,376</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 426,155	\$ 373,886
Due to City of Kingston	-	200,000
Deferred revenue	<u>-</u>	<u>200</u>
	<u>426,155</u>	<u>574,086</u>
Deferred contributions related to capital assets - Note 4	<u>29,574</u>	<u>36,717</u>
NET ASSETS		
Investment in capital assets - Note 5	43,703	65,374
Unrestricted	<u>322,608</u>	<u>466,199</u>
	<u>366,311</u>	<u>531,573</u>
	<u>\$ 822,040</u>	<u>\$ 1,142,376</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, 2005

	2005		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 65,374	\$ 466,199	\$ 531,573
Excess expenditures for the year	(26,865)	(138,397)	(165,262)
Investment in capital assets	5,194	(5,194)	-
Balance - end of the year	\$ 43,703	\$ 322,608	\$ 366,311

	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



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, 2005

	<u>2005</u>	<u>2004</u>
Revenue		
Investment from City of Kingston	\$ 2,300,000	\$ 2,300,000
Partnership revenue and corporate investors	512,445	485,954
Federal government	63,737	68,979
Provincial government - Note 1d)	223,010	547,802
Events and seminars	2,157	2,344
Resale materials	109,640	153,852
Interest	15,048	11,889
Amortization of deferred contributions - Note 4	<u>7,143</u>	<u>7,143</u>
	<u>3,233,180</u>	<u>3,577,963</u>
Expenditures		
Accounting and legal	22,485	28,055
Advertising	778,939	797,956
Amortization	34,008	39,767
Bad debts	19,723	3,617
Bank charges	3,975	4,408
Communications collaterals	72,328	91,038
Equipment rental	60,515	60,605
Events and meetings	99,436	160,606
Insurance	9,170	10,156
Office and miscellaneous	63,769	73,050
Professional contractors	498,658	548,742
Professional development	33,067	11,492
Rent	148,441	142,669
Repairs and maintenance	24,614	20,212
Resale materials	69,406	65,721
Salaries and benefits	1,336,667	1,206,593
Sponsorships and donations	44,665	21,404
Telephone	26,062	23,035
Travel	<u>52,514</u>	<u>41,362</u>
	<u>3,398,442</u>	<u>3,350,488</u>
Excess (expenditures) revenue before other item	(165,262)	227,475
Repayment of investment from City of Kingston	<u>-</u>	<u>(200,000)</u>
Excess (expenditures) revenue for the year	<u>\$ (165,262)</u>	<u>\$ 27,475</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, 2005

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 3,240,041	\$ 3,390,887
Cash paid to suppliers and employees	<u>(3,489,476)</u>	<u>(3,110,618)</u>
Cash flows from operating activities	<u>(249,435)</u>	<u>280,269</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(5,194)</u>	<u>(15,901)</u>
Net (decrease) increase in cash for the year	(254,629)	264,368
Cash at the beginning of the year	<u>804,911</u>	<u>540,543</u>
Cash at the end of the year	<u>\$ 550,282</u>	<u>\$ 804,911</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, 2005

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, 2005

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 nil (2004 - \$24,000) of donated materials and services. Included in provincial government revenue is \$157,515 (2004 - \$228,069) of donated advertising.

2. Cash

At December 31, 2005, the organization had invested \$428,533 (2004 - \$722,025) in a money market account. During the year, this account paid interest at the overnight money market rate less .75%.

3. Capital assets

	2005			2004 Net
	Cost	Accumulated Amortization	Net	
Computer software	\$ 8,021	\$ 8,021	\$ -	\$ -
Computer hardware	58,369	50,854	7,515	11,081
Furniture and equipment	44,616	41,113	3,503	7,203
Display units	29,476	28,861	615	3,493
Signs	32,620	31,182	1,438	3,637
Voicemail system	27,964	22,851	5,113	6,817
Leasehold improvements	147,677	92,584	55,093	69,860
	\$ 348,743	\$ 275,466	\$ 73,277	\$ 102,091

4. 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 contributions balance for the year are as follows:

	2005	2004
Balance - beginning of the year	\$ 36,717	\$ 43,860
Less: Amounts amortized to revenue	7,143	7,143
Balance - end of the year	\$ 29,574	\$ 36,717



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

5. Net assets invested in capital assets

	2005	2004
Capital assets	\$ 73,277	\$ 102,091
Less: Deferred contributions related to capital assets	29,574	36,717
	\$ 43,703	\$ 65,374

6. Bank credit facility

At December 31, 2005, the organization had a short-term line of credit facility of \$100,000 (2004 - \$100,000) of which nil (2004 - nil) had been drawn down. The line of credit bears interest at prime plus 1% and is secured by a general security agreement.

7. 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:

2006	\$ 133,198
2007	133,492
2008	133,492
2009	133,492
2010	133,492

The organization has subleased a portion of the space to the Greater Kingston Chamber of Commerce. The sublease expires October, 2010. Rent to be received in the next year is \$37,027.

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, 2005. The annual lease payments were \$3,675. A new lease is in the process of being negotiated.

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

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 (2004 - \$49,784) cash has been contributed and \$131,880 (2004 - \$131,880) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

8. 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 2005 was \$33,629 (2004 - \$42,129).

9. 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 (2004 - \$2,300,000). The organization has agreed to repay nil (2004 - \$200,000) in funding to the City of Kingston.

The organization paid rent of \$17,815 (2004 - \$17,654) 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 nil (2004 - \$53,000) in partnership revenue from Kingston Technology Exchange Centre. Included in accounts receivable at year end is \$4,354 (2004 - \$52,403) 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.

10. Financial instruments

Fair value

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

11. Comparative amounts

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

