

**KINGSTON ECONOMIC
DEVELOPMENT
CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2006





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, 2006 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, 2006, 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, 2007

Collins Blay & Co.

**Chartered Accountants
Licensed Public 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, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
Current		
Cash - Note 2	\$ 341,421	\$ 550,282
Accounts receivable	207,943	144,774
Inventory	18,253	7,288
GST recoverable	13,718	26,413
Prepaid expenses	<u>21,477</u>	<u>20,006</u>
	<u>602,812</u>	<u>748,763</u>
Capital - Note 3	<u>62,833</u>	<u>73,277</u>
	<u>\$ 665,645</u>	<u>\$ 822,040</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 260,959	\$ 426,155
Deferred revenue - Note 4	<u>35,746</u>	<u>-</u>
	<u>296,705</u>	<u>426,155</u>
Deferred contributions related to capital assets - Note 5	<u>32,173</u>	<u>29,574</u>
NET ASSETS		
Investment in capital assets - Note 6	30,660	43,703
Unrestricted	<u>306,107</u>	<u>322,608</u>
	<u>336,767</u>	<u>366,311</u>
	<u>\$ 665,645</u>	<u>\$ 822,040</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, 2006

	2006		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 43,703	\$ 322,608	\$ 366,311
Excess expenditures for the year	(19,540)	(10,004)	(29,544)
Investment in capital assets	6,497	(6,497)	-
Balance - end of the year	\$ 30,660	\$ 306,107	\$ 336,767

	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



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, 2006

	<u>2006</u>	<u>Restated 2005</u>
Revenue		
Investment from City of Kingston	\$ 2,311,175	\$ 2,300,000
Partnership revenue and corporate investors	827,170	512,445
Federal government	73,934	63,737
Provincial government	198,419	65,495
Events and seminars	8,641	2,157
Resale materials	63,925	109,640
Interest	22,706	15,048
Amortization of deferred contributions - Note 5	<u>12,015</u>	<u>7,143</u>
	<u>3,517,985</u>	<u>3,075,665</u>
Expenditures		
Accounting and legal	65,513	22,485
Advertising	1,159,558	621,424
Amortization	31,555	34,008
Bad debts	-	19,723
Bank charges	6,180	3,975
Client development	63,567	14,672
Communications collaterals	30,766	72,328
Equipment rental	54,688	60,515
Events and meetings	165,269	84,764
Insurance	8,713	9,170
Office and miscellaneous	78,078	63,769
Professional contractors	233,599	498,658
Professional development	24,390	33,067
Rent	194,533	148,441
Repairs and maintenance	29,756	24,614
Resale materials	37,317	69,406
Salaries and benefits	1,093,276	1,336,667
Sponsorships and donations	172,879	44,665
Telephone	37,120	26,062
Travel	<u>60,772</u>	<u>52,514</u>
	<u>3,547,529</u>	<u>3,240,927</u>
Excess expenditures for the year	<u>\$ (29,544)</u>	<u>\$ (165,262)</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, 2006

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 3,470,454	\$ 3,067,478
Cash paid to suppliers and employees	(3,680,910)	(3,331,961)
Interest income	<u>22,706</u>	<u>15,048</u>
Cash flows from operating activities	<u>(187,750)</u>	<u>(249,435)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(21,111)</u>	<u>(5,194)</u>
Net decrease in cash for the year	(208,861)	(254,629)
Cash at the beginning of the year	<u>550,282</u>	<u>804,911</u>
Cash at the end of the year	<u>\$ 341,421</u>	<u>\$ 550,282</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, 2006

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, 2006

1. Accounting policies (continued)

d) Donated materials and services

The organization receives donated advertising services from the provincial government. Because of the difficulty of determining the fair market value, donated advertising services are not recognized in these financial statements.

2. Cash

At December 31, 2006, the organization had invested \$78,651 (2005 - \$428,533) in a money market account. During the year, this account paid interest at the overnight money market rate less .75%.

3. Capital assets

	2006			2005 Net
	Cost	Accumulated Amortization	Net	
Computer software	\$ 9,321	\$ 8,671	\$ 650	\$ -
Computer hardware	72,102	59,282	12,820	7,515
Furniture and equipment	45,026	42,572	2,454	3,503
Display units	32,243	29,787	2,456	615
Signs	32,620	31,901	719	1,438
Voicemail system	27,964	24,555	3,409	5,113
Leasehold improvements	147,677	107,352	40,325	55,093
	\$ 366,953	\$ 304,120	\$ 62,833	\$ 73,277

4. Deferred revenue

	2006	2005
Human Resources and Skills Development Canada	\$ 15,553	\$ -
Ministry of Economic Development and Trade	16,250	-
Tourism partner program	3,943	-
	\$ 35,746	\$ -

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 contributions balance for the year are as follows:

	2006	2005
Balance - beginning of the year	\$ 29,574	\$ 36,717
Add: Contributions received during the year	14,614	-
Less: Amounts amortized to revenue	12,015	7,143
Balance - end of the year	\$ 32,173	\$ 29,574



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

6. Net assets invested in capital assets

	2006	2005
Capital assets	\$ 62,833	\$ 73,277
Less: Deferred contributions related to capital assets	32,173	29,574
	\$ 30,660	\$ 43,703

7. Bank credit facility

At December 31, 2006, the organization had a short-term line of credit facility of \$100,000 (2005 - \$100,000) of which nil (2005 - 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:

2007	\$ 162,424
2008	162,424
2009	162,424
2010	162,424
2011	13,525

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 \$36,301.

The organization is committed to five equipment leases, expiring between February, 2009 and October, 2010. The total annual lease payments over the next four years are as follows:

2007	\$ 12,133
2008	12,133
2009	8,647
2010	4,843

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 (2005 - \$49,784) cash has been contributed and \$131,880 (2005 - \$131,880) of in-kind contributions have been made.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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 2006 was \$50,283 (2005 - \$33,269).

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 \$2,311,175 (2005 - \$2,300,000).

The organization paid rent of \$18,166 (2005 - \$17,815) 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. There were no transactions with Kingston Technology Exchange Centre during the year.

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

11. 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.

12. Comparative amounts

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

13. Change in accounting policy - restatement of prior year

In 2005, donated materials and services were recorded as contributions at their fair market value at the date of the donation. In 2006, the policy was changed and these donated services are no longer recorded in these financial statements. The financial statements for 2005 have been restated in order to reflect the change in accounting policy. As a result of this change, both provincial government revenue and advertising expense have been reduced by \$157,515. The excess expenditures for 2005 remains unchanged.

