

**KINGSTON ECONOMIC
DEVELOPMENT
CORPORATION**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

DECEMBER 31, 2007





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, 2007 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.

Except as explained in the following paragraph, 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 common with many not-for-profit organizations, the organization derives revenue from events and seminars, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to events and seminars revenue, excess of revenue over expenditures, assets and net assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Kingston Economic Development Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Blay & Co.

Kingston, Ontario
February 20, 2008

**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, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash - Note 2	\$ 532,118	\$ 341,421
Accounts receivable	61,314	207,943
Inventory	23,462	18,253
GST recoverable	15,704	13,718
Prepaid expenses - Note 3	<u>65,281</u>	<u>21,477</u>
	<u>697,879</u>	<u>602,812</u>
Capital - Note 4	<u>96,746</u>	<u>62,833</u>
	<u>\$ 794,625</u>	<u>\$ 665,645</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 275,434	\$ 260,959
Deferred revenue - Note 5	<u>27,802</u>	<u>35,746</u>
	<u>303,236</u>	<u>296,705</u>
Deferred contributions related to capital assets - Note 6	<u>32,365</u>	<u>32,173</u>
NET ASSETS		
Investment in capital assets - Note 7	64,381	30,660
Unrestricted	<u>394,643</u>	<u>306,107</u>
	<u>459,024</u>	<u>336,767</u>
	<u>\$ 794,625</u>	<u>\$ 665,645</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, 2007

	2007		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 30,660	\$ 306,107	\$ 336,767
Excess (expenditures) revenue for the year	(30,089)	152,346	122,257
Investment in capital assets	63,810	(63,810)	-
Balance - end of the year	\$ 64,381	\$ 394,643	\$ 459,024

	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



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, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Investment from City of Kingston	\$ 2,374,454	\$ 2,311,175
Partnership revenue and corporate investors	141,777	827,170
Federal government	50,464	73,934
Provincial government	182,186	198,419
Events and seminars	24,993	8,641
Resale materials	121,642	63,925
Interest	22,426	22,706
Amortization of deferred contributions - Note 6	<u>14,049</u>	<u>12,015</u>
	<u>2,931,991</u>	<u>3,517,985</u>
Expenditures		
Accounting and legal	33,653	65,513
Advertising	326,747	1,190,324
Amortization	44,138	31,555
Bad debts	44,884	-
Bank charges	10,206	6,180
Client development	29,071	63,567
Equipment rental	19,089	54,688
Events and meetings	158,117	165,269
Insurance	8,516	8,713
Office and miscellaneous	73,800	78,078
Physician recruitment	78,474	-
Professional contractors	201,425	233,599
Professional development	33,586	24,390
Rent	199,353	194,533
Repairs and maintenance	20,931	29,756
Resale materials	53,838	37,317
Salaries and benefits	1,256,607	1,093,276
Sponsorships and donations	118,915	172,879
Telephone	39,129	37,120
Travel	<u>59,255</u>	<u>60,772</u>
	<u>2,809,734</u>	<u>3,547,529</u>
Excess revenue (expenditures) for the year	<u>\$ 122,257</u>	<u>\$ (29,544)</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, 2007

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Cash receipts from customers, partners and funding agencies	\$ 3,010,017	\$ 3,470,454
Cash paid to suppliers and employees	(2,763,695)	(3,680,910)
Interest income	<u>22,426</u>	<u>22,706</u>
Cash flows from operating activities	<u>268,748</u>	<u>(187,750)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(78,051)</u>	<u>(21,111)</u>
Net increase (decrease) in cash for the year	190,697	(208,861)
Cash at the beginning of the year	<u>341,421</u>	<u>550,282</u>
Cash at the end of the year	<u>\$ 532,118</u>	<u>\$ 341,421</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, 2007

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 net realizable 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, 2007

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, 2007, the organization had invested nil (2006 - \$78,651) in a money market account. This account paid interest at the overnight money market rate less .75%.

3. Prepaid expenses

	2007	2006
First Capital Challenge sponsorship	\$ 25,000	\$ -
Barclay Churchill Cup sponsorship	20,000	-
Other sponsorships	-	2,110
Conference and travel costs	11,470	4,360
Publication costs	4,056	1,535
Tourist Information Office rent	1,572	-
Bell Action Centre rent	-	2,600
Memberships	475	1,375
Deposit on purchase of sign	-	9,497
Website costs	2,708	-
	\$ 65,281	\$ 21,477

4. Capital assets

	2007			2006
	Cost	Accumulated Amortization	Net	
Computer software	\$ 9,321	\$ 9,321	\$ -	\$ 650
Computer hardware	102,607	76,726	25,881	12,820
Furniture and equipment	47,146	44,458	2,688	2,454
Display units	46,484	32,301	14,183	2,456
Signs	63,805	37,075	26,730	719
Voicemail system	27,964	26,260	1,704	3,409
Leasehold improvements	147,677	122,117	25,560	40,325
	\$ 445,004	\$ 348,258	\$ 96,746	\$ 62,833



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5. Deferred revenue

	2007	2006
Human Resources and Skills Development Canada	\$ -	\$ 15,553
Ministry of Economic Development and Trade	-	16,250
Ministry of Small Business and Entrepreneurship	12,000	-
Tourism partner program	15,802	3,943
	\$ 27,802	\$ 35,746

6. 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:

	2007	2006
Balance - beginning of the year	\$ 32,173	\$ 29,574
Add: Contributions received during the year	14,241	14,614
Less: Amounts amortized to revenue	14,049	12,015
Balance - end of the year	\$ 32,365	\$ 32,173

7. Net assets invested in capital assets

	2007	2006
Capital assets	\$ 96,746	\$ 62,833
Less: Deferred contributions related to capital assets	32,365	32,173
	\$ 64,381	\$ 30,660

8. Bank credit facility

At December 31, 2007, the organization had a short-term line of credit facility of \$100,000 (2006 - \$100,000) of which nil (2006 - nil) had been drawn down. The line of credit bears interest at prime plus 1% and is secured by a general security agreement.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

9. Commitments

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

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 three years are as follows:

2008	\$ 12,133
2009	8,647
2010	1,843

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 (2006 - \$49,784) cash has been contributed and \$131,880 (2006 - \$131,880) of in-kind contributions have been made.

10. Pension costs and obligations

The organization makes 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 2007 was \$67,768 (2006 - \$50,283).

11. 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 \$2,374,454 (2006 - \$2,311,175).

The organization paid rent of \$18,772 (2006 - \$18,166) 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.



KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

12. 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.

13. Comparative amounts

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

