

SECKER, ROSS & PERRY
CHARTERED ACCOUNTANTS

corresp

C.H. MARTIN SECKER, B.Sc.F., F.C.A.
J. GRAEME S. ROSS, B.A., C.A.
MARTIN R. PERRY, B.Comm., C.A.
SEAN TAIT, C.A.
TYLER C. RIDER, C.A.
J. KENT LLOYD, C.A.

353 ALFRED ST, PO BOX 366
KINGSTON, ON K7L 4W2
TELEPHONE 613- 544-1517
FAX 613- 544-8870
EMAIL: seckerross@cogeco.net

March 3, 2009

Board of Directors
Kingston Economic Development Corporation
67 Brock St
KINGSTON ON
K7L 1R8

Dear Committee Chair:

re Audit of 2008 Financial Statements

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly, an audit would not usually identify all such matters.

During the course of our audit of the financial statements for the year ended December 31, 2008, we did not identify any of the following matters:

- Misstatements, other than trivial errors;
- Fraud;
- Misstatements that may cause future financial statements to be materially misstated;
- Illegal or possibly illegal acts, other than ones considered inconsequential; or
- Significant weaknesses in internal control

As a result of our audit work, we have outlined below some observations and suggestions for your consideration.

Purchases and Payables

- (a) A general ledger account number is not always marked on an invoice. Controls over account allocation are improved if a block stamp is utilized indicating the operations performed, authorization obtained, general ledger account number, department and cheque number.
- (b) It is our understanding that it is an organizational policy that all cheques greater than \$ 25,000 be signed by two of the Chair of Finance/Audit, Board Chair or Board Vice Chair. During our review we encountered a cheque greater than \$25,000 signed by the Board Chair and the CEO.

- (c) There could be strengthened segregation of duties around the bank reconciliation function. We recommend that bank statements unopened should be given to Mark Hanley – Director of Operations for review and then to Matt Hutcheon for reconciliation. The completed bank reconciliations should be returned to the Director of Operations for signing to indicate that the accounts are in balance.

This communication is prepared solely for the information of the Board of Directors and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from your staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

SECKER, ROSS & PERRY



T. Rider:nm

KINGSTON ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

Auditors' Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Fund Balances

Statement of Cash Flow

Notes to Financial Statements

SECKER, ROSS & PERRY

Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
Kingston Economic Development Corporation

We have audited the statement of financial position of Kingston Economic Development Corporation as at December 31, 2008 and the statements of operations, changes in fund balances and cash flow 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 revenue and fund balances.

In our opinion, except for the effect of 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 the organization as at December 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licenced Public Accountants
Kingston, Ontario
February 10, 2009

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash	\$540,005	\$532,118
Accounts receivable	18,867	61,314
Inventory	26,177	23,462
GST recoverable	9,326	15,704
Prepaid expense (note 3)	<u>16,558</u>	<u>65,281</u>
	<u>610,933</u>	<u>697,879</u>
Funds on Deposit with Unity Savings and Credit Union Limited (note 4)	<u>100,000</u>	
Capital Assets (note 5)	<u>99,598</u>	<u>96,746</u>
	<u>\$810,531</u>	<u>\$794,625</u>
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	\$101,321	\$275,434
Deferred revenue (note 6)	<u>19,975</u>	<u>27,802</u>
	<u>121,296</u>	<u>303,236</u>
Deferred Contributions Related to Capital Assets (note 7)	<u>18,316</u>	<u>32,365</u>
Fund Balances		
Investment in capital assets (note 8)	81,282	64,381
Board restricted (note 4)	100,000	
Unrestricted	<u>489,637</u>	<u>394,643</u>
	<u>670,919</u>	<u>459,024</u>
	<u>\$810,531</u>	<u>\$794,625</u>

Commitments (note 10)

Approved on behalf of the Board

Director

Director

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Revenue		
Investment from City of Kingston	\$2,369,000	\$2,374,454
Partnership revenue and corporate investors	207,133	141,777
Federal government	3,860	50,464
Provincial government	162,659	182,186
Events and seminars	17,740	24,993
Resale materials	154,700	121,642
Interest	19,153	22,426
Amortization of deferred contributions (note 7)	14,049	14,049
	<u>2,948,294</u>	<u>2,931,991</u>
Expense		
Accounting and legal	25,858	33,653
Advertising	350,666	326,747
Amortization	53,158	44,138
Bad debts	765	44,884
Bank charges	12,474	10,206
Client development	26,486	29,071
Equipment rental	13,833	19,089
Events and meetings	163,471	158,117
Insurance	7,184	8,516
Office and miscellaneous	78,928	73,800
Physician recruitment	33,987	78,474
Professional contractors	80,499	201,425
Professional development	19,634	33,586
Rent (note 10)	199,637	199,353
Repairs and maintenance	9,031	20,931
Resale materials	91,176	53,838
Salaries and benefits	1,304,998	1,256,607
Sponsorships and donations	133,656	118,915
Telephone	45,398	39,129
Travel	85,560	59,255
	<u>2,736,399</u>	<u>2,809,734</u>
Excess of Revenue over Expense	<u>\$ 211,895</u>	<u>\$ 122,257</u>

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2008

	<u>Investment in Capital Assets</u>	<u>Board Restricted</u>	<u>Unrestricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
Fund balance, beginning of year	\$ 64,381		\$ 394,643	\$459,024	\$336,767
Excess (deficiency) or revenue over expense	(39,109)		251,004	211,895	122,257
Investment in capital assets	56,010		(56,010)		
Interfund transfer (note 4)	_____	<u>\$100,000</u>	<u>(100,000)</u>	_____	_____
Fund Balance, End of Year	<u>\$ 81,282</u>	<u>\$100,000</u>	<u>\$ 489,637</u>	<u>\$670,919</u>	<u>\$459,024</u>

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Cash Flow from Operating Activities		
Excess of revenue over expense	\$ 211,895	\$ 122,257
Add (deduct) items not affecting cash		
Amortization	53,158	44,138
Deferred capital contributions	<u>(14,049)</u>	<u>(14,049)</u>
	251,004	152,346
Changes in non-cash working capital balances		
Accounts receivable	42,447	146,629
Inventory	(2,715)	(5,209)
GST recoverable	6,378	(1,986)
Prepaid expense	48,723	(43,804)
Accounts payable and accrued liabilities	(174,113)	14,475
Deferred revenue	<u>(7,827)</u>	<u>(7,944)</u>
Net cash from operating activities	<u>163,897</u>	<u>254,507</u>
Cash Flows used in Investing Activities		
Purchase of capital assets	<u>(56,010)</u>	<u>(78,051)</u>
Cash Flows from Financing Activities		
Deferred capital contributions		<u>14,241</u>
Net increase in cash	107,887	190,697
Cash at beginning of year	<u>532,118</u>	<u>341,421</u>
Cash at End of Year	<u>\$ 640,005</u>	<u>\$ 532,118</u>
Represented by:		
Cash	\$ 540,005	\$ 532,118
Deposit with Unity Savings and Credit Union Limited	<u>100,000</u>	<u> </u>
	<u>\$ 640,005</u>	<u>\$ 532,118</u>

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

1. Purpose of the Organization

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

2. Significant Accounting Policies

(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.

Revenue 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

(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.

(e) Financial Instruments

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

(i) Cash, Accounts Receivable and Accounts Payable and Accrued Liabilities

These financial assets and liabilities are classified as held for trading and are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2008

2. Significant Accounting Policies (continued)

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Prepaid Expense

	<u>2008</u>	<u>2007</u>
First Capital Challenge sponsorship		\$25,000
Barclay Churchill Cup sponsorship		20,000
Trade show registration	\$ 2,268	
Conference and travel costs		11,470
Publication costs	4,655	4,056
Tourist Information office rent	1,572	1,572
Memberships	75	475
Wages	5,475	
Website costs	<u>2,513</u>	<u>2,708</u>
	<u>\$16,558</u>	<u>\$65,281</u>

4. Funds on Deposit with Unity Savings and Credit Union Limited

In conjunction with a cash deposit of \$100,000 to an interest bearing account with Unity Savings and Credit Union Limited (Unity), the board approved the establishment of a new internally restricted fund of the same amount. The purpose of the fund is to provide a guarantee for loans advanced by Unity under a lending program for new and emerging small businesses operating in Kingston known as First Capital Business Loan Fund. It is intended that the guarantee will be provided for a minimum of five years with the provision that it can be withdrawn with written notice of termination.

5. Capital Assets

	<u>2008</u>			<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer software	\$ 9,321	\$ 9,321		
Computer hardware	120,414	98,375	\$22,039	\$25,881
Furniture and equipment	72,369	50,757	21,612	2,688
Display units	46,484	34,731	11,753	14,183
Signs	76,786	43,384	33,402	26,730
Voicemail system	27,964	27,964		1,704
Leasehold improvements	<u>147,677</u>	<u>136,885</u>	<u>10,792</u>	<u>25,560</u>
	<u>\$501,015</u>	<u>\$401,417</u>	<u>\$99,598</u>	<u>\$96,746</u>

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2008

6. Deferred Revenue

	<u>2008</u>	<u>2007</u>
Empire Life Physician recruitment	\$10,000	
Ministry of Small Business and Entrepreneurship		\$12,000
Tourism partner program	<u>9,975</u>	<u>15,802</u>
	<u>\$19,975</u>	<u>\$27,802</u>

7. 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:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 32,365	\$ 32,173
Add contributions received during the year		14,241
Less amounts amortized to revenue	<u>(14,049)</u>	<u>(14,049)</u>
Balance, end of year	<u>\$ 18,316</u>	<u>\$ 32,365</u>

8. Investment in Capital Assets

	<u>2008</u>	<u>2007</u>
Capital assets	\$ 99,598	\$ 96,746
Less deferred contributions related to capital assets	<u>(18,316)</u>	<u>(32,365)</u>
	<u>\$ 81,282</u>	<u>\$ 64,381</u>

9. Bank Credit Facility

The organization has a short-term line of credit facility of \$100,000 (2007 - \$100,000) of which none had been drawn as at December 31, 2008 and 2007. The line of credit bears interest at prime plus 1% and is secured by a general security agreement.

10. Commitments

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

2009	\$162,424
2010	\$162,424
2011	\$ 13,535

The organization has sub-leased a portion of the space to the Greater Kingston Chamber of Commerce. The sub-lease expires October 2010. Rent to be received in the next year is \$36,301.

(b) The organization is committed to three equipment leases expiring between February 2009 and October 2010. The total annual lease payments over the next two years are as follows:

2009	\$8,647
2010	\$6,457

KINGSTON ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2008

10. Commitments (continued)

- (c) 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 (2007 - \$49,784) cash has been contributed and \$131,880 (2007 - \$131,880) of in-kind contributions have been made.

11. 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 2008 was \$80,014 (2007 - \$67,768).

12. Related Party Transactions

The City of Kingston (“City”) 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 \$2,369,000 (2007 - \$2,374,454).

The organization paid rent of \$25,000 (2007 - \$18,772) to the City for the Tourist Information office. The lease expires December 31, 2010.

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.

13. Comparative Information

The prior year’s financial statements were reported on by another firm of chartered accountants. Certain comparative amounts have been reclassified in order to conform with the financial statement presentation adopted in the current year.