

**Kingston Economic Development Corporation**  
**Financial Statements**  
**Year Ended December 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kingston Economic Development Corporation

### ***Opinion***

We have audited the financial statements of Kingston Economic Development Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged With Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 20, 2020

**Kingston Economic Development Corporation**  
**Statement of Financial Position**  
**As at December 31, 2019 with comparative information for 2018**

	2019	2018
<b>Assets</b>		
Current Assets		
Cash	\$ 613,344	\$ 691,083
Investments (note 3)	292,263	285,368
Accounts receivable (note 4)	297,541	91,030
Receivable from City of Kingston (note 18)	106,996	113,068
Sales tax recoverable	78,947	26,261
Prepaid expenses and refundable deposits (note 5)	42,289	88,450
	1,431,380	1,295,260
Investment in PARTEQ Angel Network (note 6(a))	10,000	10,000
Capital Assets (note 7)	139,158	49,409
	\$1,580,538	\$1,354,669
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 144,674	\$ 203,647
Payable to Tourism Kingston	-	105,790
Deferred revenue (note 8)	74,185	113,634
	218,859	423,071
Deferred Contributions Related to Capital Assets (note 9)	63,000	6,544
Deferred Lease Inducements (note 10)	-	6,910
	281,859	436,525
<b>Fund Balances</b>		
Investment in Capital Assets (note 11)	76,158	42,865
Board Restricted (note 6(a))	10,000	10,000
Other Board Restricted (note 6(b))	50,000	50,000
Unrestricted	1,162,521	815,279
	1,298,679	918,144
	\$1,580,538	\$1,354,669

**Commitments (note 15)**

**Economic Dependence (note 19)**

**Subsequent events and Contingencies (note 21)**

Approved on behalf of the Board:

Member

Member

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Operations**  
**Year Ended December 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Contributions from the Corporation of the City of Kingston (note 18)	\$1,461,500	\$1,439,820
Provincial government contributions (note 12)	429,518	222,768
Federal government contributions	28,127	51,460
Events and seminars	5,471	4,208
Partnership revenue and corporate investors (note 13)	255,769	156,605
Amortization of deferred contributions (note 9)	13,544	21,205
Interest	18,918	12,502
	<u>2,212,847</u>	<u>1,908,568</u>
<b>Expenses</b>		
Accounting and legal (notes 15 and 18)	76,334	48,107
Advertising	209,061	175,157
Amortization	26,404	20,332
Bank charges	4,887	5,990
Events and meetings	60,902	79,034
Grant disbursements	229,383	180,247
Information technology support (notes 15 and 18)	21,788	24,435
Insurance	7,447	7,095
Memberships and licenses	29,659	29,621
Office and miscellaneous	13,151	16,703
Professional contractors	240,634	243,793
Professional development	28,982	19,181
Rent (notes 15 and 18)	63,036	66,829
Salaries and benefits	738,898	739,291
Sponsorships and donations	59,850	103,018
Telephone	6,450	8,107
Travel	15,446	30,322
	<u>1,832,312</u>	<u>1,797,262</u>
<b>Excess of revenues over expenses</b>	<u>\$ 380,535</u>	<u>\$ 111,306</u>

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2019**

	<b>Investment in Capital Assets</b>	<b>Board Restricted (Note 6(a))</b>	<b>Other Board Restricted (Note 6(b))</b>	<b>Unrestricted</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Balance at beginning of year</b>	\$42,865	\$10,000	\$50,000	\$815,279	\$918,144	\$806,838
Excess (deficiency) of revenues over expenses	(12,860)	-	-	393,395	380,535	111,306
Interfund transfer (note 6(b))	-	-	-	-	-	-
Change in investment in capital assets	46,153	-	-	(46,153)	-	-
<b>Balance at end of year</b>	<b>\$76,158</b>	<b>\$10,000</b>	<b>\$50,000</b>	<b>\$1,162,521</b>	<b>\$1,298,679</b>	<b>\$918,144</b>

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>Cash flow from (used in) operating activities</b>		
Excess of revenues over expenses	\$ 380,535	\$ 111,306
Add (deduct) items not affecting cash		
Amortization	26,404	20,332
Amortization of deferred capital contributions	(13,544)	(21,205)
Deferred lease inducements	(6,910)	(16,647)
Changes in non-cash working capital balances		
Accounts receivable	(206,511)	125,845
Sales tax recoverable	(52,686)	(3,242)
Prepaid expenses and refundable deposits	46,161	(43,575)
Accounts payable and accrued liabilities	(58,973)	51,106
Receivable from/payable to City of Kingston	6,072	(23,173)
Receivable from/payable to Tourism Kingston	(105,790)	(176,660)
Deferred revenue	(39,449)	63,595
	<u>(24,691)</u>	<u>87,682</u>
<b>Cash flow used in investing activities</b>		
Purchase of capital assets	(116,153)	(26,547)
Purchase of investments	(6,895)	(4,993)
	<u>(123,048)</u>	<u>(31,540)</u>
<b>Cash flow from financing activities</b>		
Deferred capital contributions received	70,000	-
	<u>70,000</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	(77,739)	56,142
<b>Cash at beginning of year</b>	<u>691,083</u>	<u>634,941</u>
<b>Cash at end of year</b>	<u>\$613,344</u>	<u>\$691,083</u>

See accompanying notes to financial statements.



**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**1. Purpose of the Corporation**

Kingston Economic Development Corporation (the "Corporation") is incorporated without share capital as a not-for-profit corporation under the laws of Ontario. The Corporation'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**

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - Accounting Standards for Not-for-Profit Organizations. Significant accounting policies include the following:

(a) Investments

Investments in term deposits are recorded at cost plus accrued interest, which approximates market value.

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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, provided that the amounts to be received can be reasonably estimated and collection is reasonably assured.

Revenues from resale materials, events and seminars and commissions are recognized when merchandise is received by or service is provided to the customer, when the consideration is fixed or determinable and when collection is reasonably assured.

Revenues from partners and other corporate investors towards various programs, events and meetings delivered by the Corporation are recognized when there is persuasive evidence of an arrangement for funding, the price is fixed or determinable and collection of the relevant receivable is probable.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**2. Significant Accounting Policies (continued)**

(c) Capital Assets

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

Computer software	2 years
Computer hardware	3 years
Furniture and equipment	5 years
Website	5 years
Display units	7 years
Signage	7 years
Voicemail system	7 years
Leasehold improvements	5 - 10 years
CRM system	10 years

(d) Donated Materials and Services

The Corporation 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) Deferred contributions

Deferred contributions related to capital assets represent financial assistance received for the purchase of capital assets. This financial assistance is deferred and amortized to income on the same basis as the related capital assets.

(f) Deferred Lease Inducements

Deferred lease inducements represent various lease inducements received from the landlord pursuant to a lease agreement for premises occupied by the Corporation. These lease inducements include an initial rent-free period and reduced rent payments in the early periods of the lease. The deferred lease inducements are amortized on a straight-line basis against rent expense over the term of the lease.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**2. Significant Accounting Policies (continued)**

(g) Investment in PARTEQ Angel Network

The funds invested with the PARTEQ Angel Network Fund are carried at cost. Each advance is evaluated annually for possible impairment in the carrying value. Management makes its best estimate of the expected net recoverability of the advances in relation to estimates pertaining to the financial solvency of the underlying investments.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 year. Actual results could differ from those estimates.

Significant estimates in these financial statements include the estimated net realizable value of inventory, the estimated net recoverability of the funds advanced to PARTEQ Angel Network and the estimated useful lives of capital assets. Management has made its best estimate for any impairment to the carrying values.

**3. Investments**

Investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
2.00% GIC with Kawartha Credit Union maturing August 10, 2019	\$ -	\$ 37,893
2.20% GIC with Kawartha Credit Union maturing September 20, 2019	-	57,142
2.40% GIC with Kawartha Credit Union maturing December 20, 2020	58,594	57,221
2.55% GIC with Kawartha Credit Union maturing October 20, 2021	58,741	57,280
2.30% GIC with Kawartha Credit Union maturing August 10, 2020	38,811	37,938
2.60% GIC with Kawartha Credit Union maturing August 10, 2023	38,742	37,894
2.00% Term Rate Builder with Kawartha Credit Union maturing October 2, 2022	97,375	-
	<u>\$ 292,263</u>	<u>\$ 285,368</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**4. Accounts Receivable**

	<u>2019</u>	<u>2018</u>
Provincial contributions receivable	\$ 255,701	\$ 33,160
Federal contributions receivable	40,021	48,100
Economic Development trade receivables	1,819	9,770
	<u>\$ 297,541</u>	<u>\$ 91,030</u>

The allowance for doubtful accounts is \$Nil (2018 - \$Nil).

**5. Prepaid Expenses and Refundable Deposits**

	<u>2019</u>	<u>2018</u>
Office rent	\$ 5,862	\$ 6,625
OMERS	2,453	65,790
Travel costs	3,536	-
Training	5,088	-
Payroll	7,908	-
Memberships & subscriptions	1,177	6,204
Partnerships and sponsorships	2,351	4,064
Media	10,824	5,767
Contracted services	3,090	-
	<u>\$ 42,289</u>	<u>\$ 88,450</u>

**6. Board Restricted Funds**

(a) Board restricted funds are comprised of:

	<u>2019</u>	<u>2018</u>
PARTEQ Angel Network Fund	<u>\$ 10,000</u>	<u>\$ 10,000</u>

PARTEQ Angel Network Fund

The Corporation holds 10,000 participation units in the PARTEQ Angel Network ("Network"). The purpose of the Network is to make investments in early stage business ventures that meet the specified investment criteria of the Network.

The participation units are non-interest bearing, unsecured, irrevocable advances that can only be repaid to the participants in the event of a liquidity event of one or more of the Network's underlying investments. The underlying original investments are in SPARQ Systems Inc at \$10,000. The result of these investments is that the Corporation has shareholder rights in the company which translates into less than 1% share in the company.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**6. Board Restricted Funds (continued)**

- (b) The Corporation restricts net assets for various future expenditures under other board restricted funds. The expenses of the board restricted fund have been approved by the Board of Directors up to the following amounts:

	Board Approved	Opening Balance	Actual Transfers in Year	Expenses in Year	Ending Balance
Business Retention and Expansion	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000
	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000

**7. Capital Assets**

	<u>2019</u>		<u>2018</u>	
	Cost	Accumulated Amortization	Net book value	Net book value
Computer software	\$ 87,239	\$ 87,239	\$ -	\$ -
Computer hardware	102,700	102,700	-	-
Furniture and equipment	82,801	70,347	12,454	-
Signage	120,931	117,300	3,631	5,226
Voicemail system	22,044	22,044	-	-
Leasehold improvements- Innovation Park	-	-	-	6,544
Leasehold improvements- 366 King Street	84,609	8,461	76,148	-
CRM system	39,938	32,841	7,097	11,092
Website	44,253	4,425	39,828	-
	584,515	445,357	139,158	22,862
Work in progress	-	-	-	26,547
	\$ 584,515	\$ 445,357	\$ 139,158	\$ 49,409

Cost and accumulated amortization of capital assets at December 31, 2018 amounted to \$580,485 and \$531,076 respectively.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**8. Deferred Revenue**

Deferred revenue consists of cash received in advance for operations for which the related expenses will not be recognized until a later period. The deferred revenue is comprised of:

	<u>2019</u>	<u>2018</u>
Ontario Business Improvement Digital Service	\$ 20,000	\$ -
Career Apprenticeship	54,185	-
Small Business Enterprise Centre Core Funding	-	84,405
Summer Company program	-	29,229
Balance at end of year	<u>\$ 74,185</u>	<u>\$ 113,634</u>

**9. Deferred Contributions Related to Capital Assets**

The changes in the deferred contributions balance for the year are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 6,544	\$ 27,749
Add: King Street contributions	70,000	-
Less: Amounts amortized to revenue		
Innovation Park	(6,544)	(21,205)
King Street	(7,000)	-
	<u>(13,544)</u>	<u>(21,205)</u>
Balance at end of year	<u>\$ 63,000</u>	<u>\$ 6,544</u>

**10. Deferred Lease Inducements**

Changes in the deferred lease inducements balance during the year are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 6,910	\$ 23,557
Add: rent expense for the year	32,152	61,478
Less: rent paid during the year	(39,062)	(78,125)
Balance at end of year	<u>\$ -</u>	<u>\$ 6,910</u>

**11. Investment in Capital Assets**

Net assets invested in capital assets are calculated as follows:

	<u>2019</u>	<u>2018</u>
Capital Assets	\$ 139,158	\$ 49,409
Less: deferred contributions to related capital assets	(63,000)	(6,544)
Balance at end of year	<u>\$ 76,158</u>	<u>\$ 42,865</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**12. Provincial Government Contributions**

	<u>2019</u>	<u>2018</u>
Small Business Enterprise Centre Core Funding	\$ 370,358	\$ 65,284
Summer Company program	41,511	73,736
Starter Company Plus program	13,991	83,748
Business Development	3,658	-
	<u>\$ 429,518</u>	<u>\$ 222,768</u>

**13. Partnership Revenue and Corporate Investors**

	<u>2019</u>	<u>2018</u>
Frontenac Community Futures Development Corporation	\$ -	\$ 20,274
Kingston Accommodation Partners	-	2,500
Queen's Career Apprenticeship Program	199,533	100,000
Queen's Innovation Park	32,069	25,000
KEYS	7,470	-
Cunningham Swan-Friends of Kingston	7,341	-
Other	9,356	8,831
	<u>\$ 255,769</u>	<u>\$ 156,605</u>

**14. Bank Credit Facility**

The Corporation has a short-term line of credit facility of \$100,000 (2018 - \$100,000) of which none had been drawn as at December 31, 2019. The line of credit bears interest at the lender's prime rate and is secured by a general security agreement.

**15. Commitments**

- (a) The Corporation is committed to a lease for office space under an operating lease expiring July 31 2024. The annual lease payments amount to \$69,122 per year, plus HST.

Under the written terms of the lease, the Corporation can terminate the lease with six months written notice on July 31, 2022. The Corporation can also renew the lease for a further five years with six months written notice prior to the expiry of the lease; as well as a further second renewal term of another five years with six months written notice.

- (b) The Corporation is committed to a service level agreement with the City of Kingston for information systems and technology services. The annual charges for these services amounted to \$21,788 (2018 - \$24,435).

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**15. Commitments (continued)**

- (c) The Corporation is committed to a service level agreement with the City of Kingston for accounting and reporting services. The annual charge for these services amounted to \$18,954 (2018 - \$18,527).
- (d) The Corporation is committed to a three year contract with KPMG to provide annual audit services, with the option of extending two additional years. The contract expires for the year ended December 2020, with an annual cost of \$8,100 (2019) and \$8,200 (2020) plus applicable taxes.

**16. Pension Costs and Obligations**

The Corporation 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. Because OMERS is a multi-employer pension plan, the Corporation does not recognize any share of the pension plan deficit of \$3.4 billion (at December 31, 2019) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The employer portion amount contributed to OMERS for 2019 was \$53,964 (2018 - \$51,217) and is included as an expense in the statement of operations. The amount contributed to OMERS for employer and employee portions in 2019 was \$108,327, with an amount of \$63,337 applied from prepaid expenses at December 31, 2018.

**17. Fair Value of Financial Instruments**

Financial instruments are initially recognized at fair value and then subsequently at amortized cost with gains or losses recognized in the statement of operations in the period in which the gain or loss occurs.

The carrying amounts for cash, accounts receivable and accounts payable approximate their fair market values because of the short-term nature of these instruments.

It is management's opinion that the Corporation is not exposed to significant interest rate, liquidity or credit risks arising from its financial instruments. There has been no change to the risk exposure from December 31, 2018.

**18. Related Party Transactions**

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



**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**18. Related Party Transactions (continued)**

The Corporation operates under a service level agreement with the City's financial services department whereby the City pays certain expenses on behalf of the Corporation. The Corporation has a \$106,996 (2018 - \$113,068) receivable from the City at year-end related to its service level agreement.

The City provided revenues of \$1,461,500 (2018 - \$1,439,820) to the Corporation.

The Corporation paid the City for information systems and technology services, and accounting services as described in note 15(b) and (c).

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

**19. Economic Dependence**

The Corporation is economically dependent on the continued financial support of the Corporation of the City of Kingston. The Corporation derives a significant portion of its revenues each year from the City. Continued existence of the Corporation is dependent on the future financial support of the City. Revenue derived from the City accounts for 66% of total revenue.

**20. Changes in accounting policies**

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

- (a) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a nonreversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

- (b) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**20. Changes in accounting policies (continued)**

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

(c) Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at January 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

**21. Subsequent events and contingencies**

(a) Subsequent to December 31, 2019 the Corporation entered into a commitment with Stiletto Consulting LTD for the development of the integrated economic development strategy for Kingston. The charge for this 2020 contract is \$109,237 plus HST with up to \$65,000 of this to be funded from reserves and a matching \$65,000 from the City of Kingston.

(b) Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure of the administrative building within which it operates since March 16, 2020 based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.