

**Kingston Economic Development Corporation**

**Financial Statements**

**Year Ended December 31, 2022**

**Independent Auditor’s Report**

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## INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***Auditor's 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 auditor's 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.



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- 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.
- 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 auditor's 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 auditor's 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

March 27, 2023

**Kingston Economic Development Corporation**  
**Statement of Financial Position**  
**As at December 31, 2022 with comparative information for 2021**

	2022	2021
<b>Assets</b>		
Current Assets		
Cash	\$ 1,155,367	\$ 953,603
Investments (note 3)	310,474	203,996
Accounts receivable (note 4)	404,516	271,173
Harmonized sales tax recoverable	44,673	30,084
Prepaid expenses and refundable deposits (note 5)	26,118	24,169
	1,941,148	1,483,025
Investment in PARTEQ Angel Network (note 6(a))	10,000	10,000
Capital assets (note 7)	56,088	79,797
	\$ 2,007,236	\$ 1,572,822
<b>Liabilities and Fund Balances</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 120,838	\$ 335,034
Due to the Corporation of the City of Kingston (note 19(b))	318,626	193,533
Deferred revenue (note 9)	559,895	114,511
	999,359	643,078
Deferred contributions related to capital assets (note 10)	21,000	35,000
	1,020,359	678,078
Fund Balances		
Investment in capital assets (note 11)	35,088	44,797
Board restricted - PARTEQ Angel Network (note 6(a))	10,000	10,000
Board restricted - Business Retention & Expansion (note 6(b))	50,000	50,000
Board restricted - COVID-19 Response and Recovery (note 6(b))	-	34,267
Unrestricted surplus	891,789	755,680
	986,877	894,744
	\$ 2,007,236	\$ 1,572,822

**Commitments (note 16)**

**Economic dependence (note 20)**

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, 2022**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Contributions from the Corporation of the City of Kingston (note 19(a))	\$ 1,481,961	\$ 1,461,500
Provincial government contributions (note 14)	623,836	373,583
Federal government contributions (note 13)	523,881	409,079
Partnership revenue and corporate investors (notes 12 and 19(a))	122,527	681,783
Amortization of deferred contributions related to capital assets	14,000	14,000
Interest	<u>30,785</u>	<u>6,476</u>
	<u>2,796,990</u>	<u>2,946,421</u>
<b>Expenses</b>		
Accounting and legal (notes 16(c) and 19(d))	55,490	45,611
Advertising	186,831	204,022
Amortization	37,504	34,210
Bank charges	5,093	4,802
Events, meetings & workshops	72,334	81,965
Grant disbursements (note 6(b))	385,146	1,426,805
Information technology support (notes 16(b) and 19(d))	25,486	15,236
Insurance	8,991	8,507
Memberships and licenses	62,069	53,011
Office and miscellaneous	22,562	29,818
Professional contractors	372,179	369,819
Professional development	5,899	7,018
Rent	70,339	70,339
Salaries and benefits	1,138,683	786,612
Sponsorships and donations (note 19(e))	206,890	188,875
Telephone	6,677	3,238
Travel	<u>42,684</u>	<u>16,242</u>
	<u>2,704,857</u>	<u>3,346,130</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 92,133</u>	<u>\$ (399,709)</u>

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2022**

	<b>Investment in Capital Assets (note 11)</b>	<b>Board Restricted - PARTEQ Angel Network (note 6(a))</b>	<b>Board Restricted - Business Retention and Expansion (note 6(b))</b>	<b>Board Restricted - COVID-19 Response and Recovery (note 6(b))</b>	<b>Unrestricted Surplus</b>	<b>Total 2022</b>	<b>Total 2021</b>
<b>Balance, beginning of year</b>	\$44,797	\$10,000	\$50,000	\$34,267	\$755,680	\$894,744	\$1,294,453
Excess (deficiency) of revenues over expenses	(23,504)	–	–	(34,267)	149,904	92,133	(399,709)
Change in investment in capital assets	13,795	–	–	–	(13,795)	–	
<b>Balance, end of year</b>	\$35,088	\$10,000	\$50,000	\$ –	\$891,789	\$986,877	\$894,744

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	2022	2021
<b>Cash flow from (used in) operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 92,133	\$ (399,709)
Items not involving cash:		
Amortization	37,504	34,210
Amortization of deferred contributions related to capital assets	(14,000)	(14,000)
Changes in non-cash working capital balances:		
Accounts receivable	(133,343)	82,734
Harmonized sales tax recoverable	(14,589)	(5,030)
Prepaid expenses and refundable deposits	(1,949)	(16,013)
Accounts payable and accrued liabilities	(214,196)	164,334
Due to the Corporation of the City of Kingston	125,093	321,899
Deferred revenue	445,384	55,287
	322,037	223,712
<b>Cash flow used in investing activities</b>		
Purchase of capital assets	(13,795)	–
Purchase of investments, net of redemptions	(106,478)	(4,642)
	(120,273)	(4,642)
<b>Increase in cash</b>	201,764	219,070
<b>Cash, beginning of year</b>	953,603	734,533
<b>Cash, end of year</b>	\$ 1,155,367	\$ 953,603

See accompanying notes to financial statements.



**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**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 and technological sectors. The Corporation is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

**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.

Contributions received for the purchase of capital assets are deferred and amortized on the same basis as the related capital assets.

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.

Interest income is recognized when earned.

(c) Capital Assets

Capital assets are recorded at cost, less accumulated amortization. Repairs and maintenance charges are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying value is written down to its residual value.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

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

(c) Capital Assets (continued)

Capital assets are amortized on a straight-line basis using the following estimated useful lives:

Computer hardware	3 years
Furniture and equipment	5 years
Website	5 years
Signage	7 years
Leasehold improvements	5 - 10 years
CRM system	10 years

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value.

(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) Investment in PARTEQ Angel Network

The funds invested with the PARTEQ Angel Network Fund are carried at cost.

The funds invested are assessed individually for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment the Corporation determines if there is a significant adverse change in the expected timing or amount of future cash flows from the investment. If there is a significant adverse change in the expected cash flows, the carrying amount of the investment is reduced to the higher of the present value of the expected cash flows and the amount that could be realized from selling the investment. When the extent of impairment of a previously written down investment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

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

(f) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to subsequently carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value, are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Employee Future Benefits

The Corporation has a defined benefit plan providing pension and post-employment benefits for its employees. The cost of the defined benefit plan is recognized based on the required contributions during each period.

(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.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**3. Investments**

Investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
4.10% term deposit with Kawartha Credit Union, maturing October 20, 2023	\$ 267,579	\$ –
7.00% term deposit with Kawartha Credit Union, maturing August 10, 2023	42,895	40,958
2.85% term deposit with Kawartha Credit Union, matured October 2, 2022	–	101,573
0.00% term deposit with Kawartha Credit Union, withdrawn in 2022	–	61,465
	<u>\$ 310,474</u>	<u>\$ 203,996</u>

**4. Accounts Receivable**

	<u>2022</u>	<u>2021</u>
Provincial contributions receivable	\$ 173,355	\$ 154,590
Federal contributions receivable	160,267	22,525
Queen's University at Kingston	58,513	84,869
Trade receivables	12,381	9,189
	<u>\$ 404,516</u>	<u>\$ 271,173</u>

The allowance for doubtful accounts is \$Nil (2021 - \$Nil).

**5. Prepaid Expenses and Refundable Deposits**

	<u>2022</u>	<u>2021</u>
Memberships & subscriptions	\$ 7,337	\$ 13,303
Contracted services	7,165	2,500
Office rent	5,862	5,862
Events and meetings	3,254	–
Partnerships & sponsorships	2,500	–
Training	–	2,504
	<u>\$ 26,118</u>	<u>\$ 24,169</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**6. Board Restricted Funds**

Board restricted funds are comprised of:

- (a) PARTEQ Angel Network Fund:

	<u>2022</u>	<u>2021</u>
PARTEQ Angel Network Fund	<u>\$ 10,000</u>	<u>\$ 10,000</u>

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.

The PARTEQ Angel Network Fund is internally restricted by the Board of Directors.

- (b) The Corporation internally restricts net assets for various future expenditures. The fund balance allocations and expenditures of these funds have been approved by the Board of Directors as follows:

	Opening Balance	Transfers in Year	Expenses in Year	Ending Balance
Business Retention and Expansion	\$ 50,000	\$ –	\$ –	\$ 50,000
	<u>\$ 50,000</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 50,000</u>
	Opening Balance	Transfers in Year	Expenses in Year	Ending Balance
COVID-19 Response and Recovery <sup>1</sup>	\$ 34,267	\$ –	\$ 34,267	\$ –
	<u>\$ 34,267</u>	<u>\$ –</u>	<u>\$ 34,267</u>	<u>\$ –</u>

<sup>1</sup> COVID-19 Response and Recovery - Board-Restricted Fund: The Corporation and the Corporation of the City of Kingston (the “City”) partnered to provide a funding program to support small and medium sized businesses within the City that have been negatively affected by COVID-19. During the year, the remaining balance of the Fund was utilized to support local businesses through \$34,267 (2021 - \$1,065,733) in grant disbursements.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**7. Capital Assets**

	2022		2021	
	Cost	Accumulated Amortization	Net book value	Net book value
Computer hardware	\$ 122,129	\$ 113,121	\$ 9,008	\$ 5,387
Furniture and equipment	87,939	80,791	7,148	6,919
Signage	120,931	120,931	–	873
Leasehold improvements- 366 King Street	84,609	59,226	25,383	42,304
CRM system	39,939	38,666	1,273	2,188
Website	44,253	30,977	13,276	22,126
	<u>\$ 499,800</u>	<u>\$ 443,712</u>	<u>\$ 56,088</u>	<u>\$ 79,797</u>

Cost and accumulated amortization of capital assets at December 31, 2022 amounted to \$486,005 and \$406,208 respectively.

Capital assets have been reviewed for full or partial impairment. Management has determined there are none.

**8. Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities are government remittances payable of \$4,310 (2021 - \$4,051) which includes amounts payable for WSIB.

**9. Deferred Revenue**

	<u>2022</u>	<u>2021</u>
Innovation, Science and Economic Development Canada - Canada Digital Adoption Program	\$ 428,429	–
Ontario Business Improvement Area Association - Digital Main Street	52,543	52,857
Queen's University at Kingston - Queen's Career Apprenticeship Kingston	43,679	41,351
Province of Ontario - Skills Development Fund	15,253	–
Small Business Enterprise Centre - Starter Company Program	9,132	–
Ontario Media Corporation - Hyper Local Action Plan	5,220	5,220
Small Business Enterprise Centre - Summer Company Program	5,114	–
Economic Developers Council of Ontario - Main Street Ambassador Community Contribution	525	–
KEYS Job Centre - International Graduate Internship	–	15,083
	<u>\$ 559,895</u>	<u>\$ 114,511</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

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

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 35,000	\$ 49,000
Less: Amounts amortized to revenue	<u>(14,000)</u>	<u>(14,000)</u>
Balance at end of year	<u>\$ 21,000</u>	<u>\$ 35,000</u>

**11. Investment in Capital Assets**

Net assets invested in capital assets are calculated as follows:

(a) Net assets invested in capital assets are calculated as follows:

	<u>2022</u>	<u>2021</u>
Capital assets	\$ 56,088	\$ 79,797
Less: Deferred contributions to related capital assets	<u>(21,000)</u>	<u>(35,000)</u>
	<u>\$ 35,088</u>	<u>\$ 44,797</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 44,797	\$ 65,007
Excess (deficiency) of revenues over expenses:		
Amortization of contributions related to capital assets	14,000	14,000
Amortization of capital assets	<u>(37,504)</u>	<u>(34,210)</u>
	(23,504)	(20,210)
Net change in investment in capital assets:		
Purchase of capital assets	<u>13,795</u>	<u>—</u>
Balance at end of year	<u>\$ 35,088</u>	<u>\$ 44,797</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**12. Partnership Revenue and Corporate Investors**

	<u>2022</u>	<u>2021</u>
Queen's University at Kingston - Queen's Career Apprenticeship Kingston	58,513	52,409
Corporation of the City of Kingston – Project partnerships (note 19(a))	29,698	–
KEYS Job Centre - International Graduate Internship	15,083	
Kingston Downtown Business Improvement Area	10,000	21,253
Upstate Medical University	4,988	–
Other	2,305	621
St. Lawrence College	1,940	–
Corporation of the City of Kingston - Small Business Pandemic Relief (note 19(c))	–	600,000
Toronto Region Board of Trade - Trade Accelerator Program	–	7,500
	<u>\$ 122,527</u>	<u>\$ 681,783</u>

**13. Federal Government Contributions**

	<u>2022</u>	<u>2021</u>
Innovation, Science and Economic Development Canada - Canada Digital Adoption Program	\$ 207,112	\$ –
FedDev - Health Innovation	159,949	112,522
FedDev - WE-CAN Program (partnership with Queen's University at Kingston)	90,965	51,233
Global Affairs Canada - CanExport Program (ICCI)	51,335	22,525
Government of Canada - Summer Jobs Program	14,520	11,018
FedDev - Tourism Recovery Program	–	211,781
	<u>\$ 523,881</u>	<u>\$ 409,079</u>



**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**14. Provincial Government Contributions**

	<u>2022</u>	<u>2021</u>
Province of Ontario - Skills Development Fund	\$ 229,127	\$ –
Economic Developers Council of Ontario - Main Street Ambassador Community Contribution	114,475	–
Small Business Enterprise Centre - Core Funding	99,650	157,660
Small Business Enterprise Centre - Starter Company Plus Program	92,886	70,000
Ontario Business Improvement Area Association - Digital Main Street	46,830	77,143
Small Business Enterprise Centre - Summer Company Program	40,868	30,000
Business Advisory Centre Durham - Ontario Together Fund	–	32,000
Ontario Media Corporation - Hyper Local Action Plan	–	6,780
	<u>\$ 623,836</u>	<u>\$ 373,583</u>

**15. Bank Credit Facility**

The Corporation has a short-term line of credit facility of \$100,000 (2021 - \$100,000) of which \$Nil has been drawn as at December 31, 2022 (2021 - \$Nil). The line of credit bears interest at the lender's prime rate and is secured by a general security agreement.

**16. Commitments**

- (a) The Corporation is committed to a lease for office space, at 366 King Street East - Suite 420 under an operating lease expiring July 31, 2024. The annual lease payments amount to \$69,122 per year.

Under the written terms of the lease, the Corporation could terminate the lease with six months written notice by July 31, 2023. 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.

In December 2022, the Corporation committed to a sublease agreement for additional office space at 366 King Street East - Suite 460 under an operating lease expiring July 30, 2024. The annual sublease payments amount to \$39,751 per year.

- (b) The Corporation is committed to a service agreement with the City for information systems and technology services. The annual charges for these services at December 31, 2022 amounted to \$25,486 (2021 - \$15,236).
- (c) The Corporation is committed to a service agreement with the City for accounting and reporting services. The annual charges for these services at December 31, 2022 amounted to \$20,500 (2021 - \$19,352).

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2022**

**17. 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. Since any surpluses or deficits are a joint responsibility of all members of the plan, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The latest available report for the OMERS plan was at December 31, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The employer portion amount contributed to OMERS for 2022 was \$76,621 (2021 - \$61,658) and is included in salaries and benefits on the Statement of Operations.

**18. Financial Risks and Concentration of Risks:**

(a) Interest rate risk:

The Corporation is exposed to interest rate risk that arises from the fluctuation in interest rates on its bank credit facility, as described in note 15.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Corporation is exposed to credit risk with respect to accounts receivable. The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in the allowance for doubtful accounts.

The carrying amounts for cash, investments, accounts receivable, harmonized sales tax recoverable, prepaid expenses and refundable deposits, accounts payable and accrued liabilities, Due to the Corporation of the City of Kingston and deferred revenue 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 market risk or liquidity risk.

There has been no significant change to the risk exposures from 2021.

**19. Related Party Transactions**

The Corporation is related to the City 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.

- (a) The Corporation operates under a service level agreement with the City whereby operating funding is received on an annual basis as disclosed on the Statement of Operations. In addition, the Corporation received \$29,698 (2021 - \$Nil) of funding for project-based partnerships which has been recorded as a component of partnership revenue and corporate investors on the Statement of Operations and as disclosed in note 12.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
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**19. Related Party Transactions (continued)**

- (b) The Corporation also operates under a contractual agreement with the City whereby the City pays certain expenses on behalf of the Corporation. At December 31, 2022, the Corporation has a payable of \$318,626 (2021 - \$193,533) to the City related to this agreement.
- (c) During the year, the Corporation received \$Nil (2021 - \$600,000) from the City for the Small Business Pandemic Relief program.
- (d) The Corporation paid the City for information systems and technology services, and accounting services as described in notes 16(b) and 16(c).
- (e) The Corporation paid the City \$150,000 (2021 - \$150,000) as part of a two-year pilot project to support the creation of a new municipal position to strengthen business retention and expansion initiatives and support workforce in-migration strategies. By Board motion, the pilot program was extended throughout 2022 due to COVID-19 interruptions.

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

**20. Economic Dependence**

The Corporation is economically dependent on the continued financial support of the City. 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 54.1% (2021 - 69.9%) of total revenue. A service level agreement with the City has been approved for a duration of five years, expiring December 31, 2026.

**21. Comparative Information**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.