

**Kingston Economic Development Corporation**

**Financial Statements**

**Year Ended December 31, 2021**

**Independent Auditors' Report**

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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, 2021
- 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, 2021, 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

March 28, 2022

**Kingston Economic Development Corporation**  
**Statement of Financial Position**  
**As at December 31, 2021 with comparative information for 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 953,603	\$ 734,533
Investments (note 3)	203,996	199,354
Accounts receivable (note 4)	271,173	353,907
Receivable from the Corporation of the City of Kingston (note 19(a))	–	128,366
Harmonized sales tax recoverable	30,084	25,054
Prepaid expenses and refundable deposits (note 5)	24,169	8,156
	<u>1,483,025</u>	<u>1,449,370</u>
Investment in PARTEQ Angel Network (note 6(a))	<u>10,000</u>	<u>10,000</u>
Capital assets (note 7)	<u>79,797</u>	<u>114,007</u>
	<u>\$ 1,572,822</u>	<u>\$ 1,573,377</u>
<b>Liabilities and Fund Balances</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 335,034	\$ 170,700
Payable to the Corporation of the City of Kingston (note 19(a))	193,533	–
Deferred revenue (note 9)	114,511	59,224
	<u>643,078</u>	<u>229,924</u>
Deferred contributions related to capital assets (note 10)	<u>35,000</u>	<u>49,000</u>
	678,078	278,924
Fund Balances		
Investment in capital assets (note 11)	44,797	65,007
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	500,000
Unrestricted surplus	755,680	669,446
	<u>894,744</u>	<u>1,294,453</u>
	<u>\$ 1,572,822</u>	<u>\$ 1,573,377</u>

**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, 2021**

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Contributions from the Corporation of the City of Kingston (notes 19(b) and 19(c))	\$ 1,461,500	\$ 1,461,500
Partnership revenue and corporate investors (notes 12 and 19(d))	758,926	169,563
Federal government contributions (note 13)	409,079	888,814
Provincial government contributions (note 14)	296,440	310,683
Amortization of deferred contributions related to capital assets	14,000	14,000
Interest	6,476	10,553
	<u>2,946,421</u>	<u>2,855,113</u>
<b>Expenses</b>		
Accounting and legal (notes 16(c) and 19(e))	45,611	47,259
Advertising	204,022	258,835
Amortization	34,210	35,924
Bank charges	4,802	4,652
Events and meetings	81,965	46,959
Grant disbursements (note 6(b))	1,426,805	982,713
Information technology support (notes 16(b) and 19(e))	15,236	18,591
Insurance	8,507	7,875
Memberships and licenses	53,011	20,854
Office and miscellaneous	29,818	16,940
Professional contractors	369,819	442,993
Professional development	7,018	17,280
Rent (note 16(a))	70,339	70,339
Salaries and benefits (note 17)	786,612	720,264
Sponsorships and donations (note 19(f))	188,875	156,689
Telephone	3,238	4,282
Travel	16,242	6,890
	<u>3,346,130</u>	<u>2,859,339</u>
<b>Deficiency of revenues over expenses</b>	<u>\$ (399,709)</u>	<u>\$ (4,226)</u>

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2021**

	<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 2021</b>	<b>Total 2020</b>
<b>Balance, beginning of year</b>	\$65,007	\$10,000	\$50,000	\$500,000	\$669,446	\$1,294,453	\$1,298,679
Excess (deficiency) of revenues over expenses	(20,210)	—	—	(1,065,733)	686,234	(399,709)	(4,226)
Interfund transfer (note 6(b))	—	—	—	600,000	(600,000)	—	—
Change in investment in capital assets	—	—	—	—	—	—	—
<b>Balance, end of year</b>	\$44,797	\$10,000	\$50,000	\$34,267	\$755,680	\$894,744	\$1,294,453

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

	2021	2020
<b>Cash flow from (used in) operating activities</b>		
Deficiency of revenues over expenses	\$ (399,709)	\$ (4,226)
Items not involving cash:		
Amortization	34,210	35,924
Amortization of deferred contributions related to capital assets	(14,000)	(14,000)
Changes in non-cash working capital balances:		
Accounts receivable	82,734	(56,366)
Harmonized sales tax recoverable	(5,030)	53,893
Prepaid expenses and refundable deposits	(16,013)	34,133
Accounts payable and accrued liabilities	164,334	26,026
Receivable from/payable to the Corporation of the City of Kingston	321,899	(21,370)
Deferred revenue	55,287	(14,961)
	223,712	39,053
<b>Cash flow used in investing activities</b>		
Purchase of capital assets	–	(10,773)
Redemption (purchase) of investments, net	(4,642)	92,909
	(4,642)	82,136
<b>Increase in cash</b>	219,070	121,189
<b>Cash, beginning of year</b>	734,533	613,344
<b>Cash, end of year</b>	\$ 953,603	\$ 734,533

See accompanying notes to financial statements.



**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

**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. 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.

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. Amortization is provided using the straight-line method over the estimated useful lives of the assets. One-half year of amortization is taken in the year of acquisition.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

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

(c) Capital Assets

The estimated useful lives are as follows:

Computer hardware	3 years
Furniture and equipment	5 years
Website	5 years
Display units	7 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) 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) 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, 2021**

(g) 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.

(h) 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.

(i) 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, 2021**

**3. Investments**

Investments are comprised of the following:

	<u>2021</u>	<u>2020</u>
2.85% term deposit with Kawartha Credit Union maturing October 2, 2022	\$ 101,573	\$ 99,335
0.00% term deposit with Kawartha Credit Union maturing April 20, 2025	61,465	60,239
3.20% term deposit with Kawartha Credit Union maturing August 10, 2023	40,958	39,780
	<u>\$ 203,996</u>	<u>\$ 199,354</u>

**4. Accounts Receivable**

	<u>2021</u>	<u>2020</u>
Provincial contributions receivable	\$ 154,590	\$ 262,405
Queen's University at Kingston	84,869	34,649
Federal contributions receivable	22,525	30,000
Trade receivables	9,189	5,600
Kingston Downtown Business Improvement Area	—	21,253
	<u>\$ 271,173</u>	<u>\$ 353,907</u>

The allowance for doubtful accounts is \$Nil (2020 - \$Nil).

**5. Prepaid Expenses and Refundable Deposits**

	<u>2021</u>	<u>2020</u>
Memberships & subscriptions	\$ 13,303	\$ —
Office rent	5,862	5,862
Training	2,504	—
Contracted services	2,500	—
Payroll	—	2,294
	<u>\$ 24,169</u>	<u>\$ 8,156</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

**6. Board Restricted Funds**

Board restricted funds are comprised of:

- (a) PARTEQ Angel Network Fund:

	<u>2021</u>	<u>2020</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 net asset 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>	\$ 500,000	\$ 600,000	\$ 1,065,733	\$ 34,267
	<u>\$ 500,000</u>	<u>\$ 600,000</u>	<u>\$ 1,065,733</u>	<u>\$ 34,267</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 of Kingston that have been negatively affected by COVID-19. In the prior year, the Board of Directors passed a motion to transfer \$500,000 to the Fund to be spent on this program in 2021. During the year, the City contributed an additional \$600,000 to the Fund. The available funding of \$1,100,000 was used to support 117 businesses in the City of Kingston through \$1,065,733 in grant disbursements in the year. The remaining balance of the Fund will be utilized to support local businesses in 2022.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

**7. Capital Assets**

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated Amortization	Net book value	Net book value
Computer hardware	\$ 113,473	\$ 108,086	\$ 5,387	\$ 8,978
Furniture and equipment	82,801	75,882	6,919	9,687
Signage	120,931	120,058	873	2,036
Leasehold improvements- 366 King Street	84,609	42,305	42,304	59,226
CRM system	39,939	37,751	2,188	3,103
Website	44,252	22,126	22,126	30,977
	<u>\$ 486,005</u>	<u>\$ 406,208</u>	<u>\$ 79,797</u>	<u>\$ 114,007</u>

Cost and accumulated amortization of capital assets at December 31, 2020 amounted to \$486,005 and \$371,998 respectively.

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

**8. Government Remittances Payable**

Included in accounts payable and accrued liabilities are government remittances payable of \$4,051 (2020 - \$3,325) which includes amounts payable for WSIB.

**9. 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>2021</u>	<u>2020</u>
Ontario Business Improvement Area Association – Digital Main Street	\$ 52,857	\$ –
Queen’s University at Kingston - Queen’s Career Apprenticeship Kingston	41,351	28,989
KEYS Job Centre - International Graduate Internship	15,083	
HyperLocal Action Plan-Ont Media Development Corp	5,220	–
Kingston Downtown Business Improvement Area	–	21,253
FedDev - Tourism Recovery Program	–	8,982
	<u>\$ 114,511</u>	<u>\$ 59,224</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

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

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

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 49,000	\$ 63,000
Less: Amounts amortized to revenue	<u>(14,000)</u>	<u>(14,000)</u>
Balance at end of year	<u>\$ 35,000</u>	<u>\$ 49,000</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>2021</u>	<u>2020</u>
Capital assets	\$ 79,797	\$ 114,007
Less: Deferred contributions to related capital assets	<u>(35,000)</u>	<u>(49,000)</u>
	<u>\$ 44,797</u>	<u>\$ 65,007</u>

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

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 65,007	\$ 76,158
Excess (deficiency) of revenues over expenses:		
Amortization of contributions related to capital assets	14,000	14,000
Amortization of capital assets	<u>(34,210)</u>	<u>(34,792)</u>
	(20,210)	(21,942)
Net change in investment in capital assets:		
Purchase of capital assets	–	10,773
Balance at end of year	<u>\$ 44,797</u>	<u>\$ 65,007</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

**12. Partnership Revenue and Corporate Investors**

	<u>2021</u>	<u>2020</u>
Corporation of the City of Kingston - Small Business Pandemic Relief	\$ 600,000	\$ -
Ontario Business Improvement Area Association - Digital Main Street	77,143	55,370
Queen's University at Kingston - Queen's Career Apprenticeship Kingston	52,409	25,196
Kingston Downtown Business Improvement Area	21,253	15,000
Toronto Region Board of Trade - Trade Accelerator Program	7,500	-
Other	621	3,997
Corporation of the City of Kingston - Integrated Economic Development Strategy	-	65,000
Northumberland Community Futures Development Corp - R3 Program	-	5,000
	<u>\$ 758,926</u>	<u>\$ 169,563</u>

**13. Federal Government Contributions**

	<u>2021</u>	<u>2020</u>
FedDev - Tourism Recovery Program	\$ 211,781	\$ 791,018
FedDev - Health Innovation	112,522	-
FedDev - WE-CAN Program (partnership with Queen's University at Kingston)	51,233	64,496
Global Affairs Canada - CanExport Program	22,525	30,000
Government of Canada - Summer Jobs Program	11,018	-
Other	-	3,300
	<u>\$ 409,079</u>	<u>\$ 888,814</u>



**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

**14. Provincial Government Contributions**

	<u>2021</u>	<u>2020</u>
Small Business Enterprise Centre - Core Funding	\$ 157,660	\$ 149,411
Small Business Enterprise Centre - Starter Company Plus Program	70,000	120,231
Business Advisory Centre Durham - Ontario Together Fund	32,000	–
Small Business Enterprise Centre - Summer Company Program	30,000	31,041
Ontario Media Corporation - Hyper Local Action Plan	6,780	–
Small Business Enterprise Centre - French	–	10,000
	<u>\$ 296,440</u>	<u>\$ 310,683</u>

**15. Bank Credit Facility**

The Corporation has a short-term line of credit facility of \$100,000 (2020 - \$100,000) of which \$Nil has been drawn as at December 31, 2021 (2020 - \$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 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 agreement with the City for information systems and technology services. The annual charges for these services amount to \$15,236 (2020 - \$18,207).
- (c) The Corporation is committed to a service agreement with the City for accounting and reporting services. The annual charges for these services amount to \$19,352 (2020 - \$19,352).

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

**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. Because OMERS is a multi-employer pension plan, the Corporation does not recognize any share of the pension plan deficit of \$3.2 billion at December 31, 2020 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 2021 was \$61,658 (2020 - \$53,386) 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, accounts receivable, receivable from/payable to the Corporation of the City of Kingston and accounts payable and accrued liabilities 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 2020.

**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 contractual agreement with the City's financial services department whereby the City pays certain expenses on behalf of the Corporation. The Corporation has a \$193,533 payable (2020 - \$128,366 receivable) from the City at year-end related to this agreement.
- (b) The City provided revenues of \$1,461,500 (2020 - \$1,461,500) to the Corporation.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2021**

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

- (c) During the year, the Corporation received \$Nil (2020 - \$65,000) from the City and contributed \$Nil (2020 - \$65,000) from internally restricted reserves to offset expenses incurred pertaining to the development of the integrated economic development strategy for Kingston.
- (d) During the year, the Corporation received \$600,000 (2020 - \$Nil) from the City for the Small Business Pandemic Relief program.
- (e) The Corporation paid the City for information systems and technology services, and accounting services as described in notes 16(b) and 16(c).
- (f) The Corporation paid the City \$150,000 (2020 - \$107,000) 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.

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 69.9% (2020 - 51.2%) of total revenue. A service level agreement with the City has been approved for a duration of five years commencing January 1, 2021.

**21. Impact of COVID-19**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in significant global and local impacts. As of December 31, 2021, the pandemic is ongoing which continues to have the potential to create financial stress on the Corporation.

At this time, the ongoing COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. The Corporation continues to monitor and assess the effect that COVID-19 will have on its operations and financial results.

**22. Comparative Information**

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