

May 11, 2018

CONFIDENTIAL

Finance Committee  
c/o Donna Gillespie, CEO  
Kingston Economic Development Corporation  
945 Princess Street at Innovation Park, Suite 106  
KINGSTON ON K7L 0E9

Dear Finance Committee of Kingston Economic Development Corporation:

**Re: Audit of 2017 Financial Statements**

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

During the course of our audit of the financial statements for the year ended 2017, we did not identify any of the following matters:

- Misstatements, other than trivial errors;
- Fraud;
- Misstatements that may cause future financial statements to be materially misstated; or
- Significant weaknesses in internal control.

During the course of the audit, we established an understanding of the design and implementation of various internal controls of the general accounting transaction cycles sufficient to conduct our audit procedures. In some cases, we did samples to test the operating effectiveness of some of the identified controls. The results of our audit tests found the identified controls in these specific areas to be adequately implemented and operating effectively.

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

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit.

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

Yours sincerely,

SECKER ROSS & PERRY LLP

A handwritten signature in black ink, appearing to read 'Tyler Rider', written over the printed name.

Tyler Rider, CPA, CA, Licensed Public Accountant  
Partner

**Kingston Economic Development Corporation**  
**Financial Statements**  
**Year Ended December 31, 2017**

Independent Auditor’s Report ..... 1  
Statement of Financial Position ..... 3  
Statement of Operations ..... 4  
Statement of Changes in Fund Balances ..... 5  
Statement of Cash Flow ..... 6  
Notes to Financial Statements ..... 7  
Schedule of Operations by Department ..... 19

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Kingston Economic Development Corporation

We have audited the accompanying financial statements of Kingston Economic Development Corporation which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Kingston Economic Development Corporation as at December 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedule of Operations by Department is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Professional Accountants

Licensed Public Accountants

Kingston, Ontario

May 14, 2018

**Kingston Economic Development Corporation**  
**Statement of Financial Position as at December 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 748,385	\$ 519,227
Investments (note 3)	280,375	275,112
Accounts receivable (note 4)	235,495	65,412
Receivable from City of Kingston (note 18)	-	258,072
Inventory – tourism items for resale	16,014	18,045
Sales tax recoverable	47,492	28,669
Prepaid expenses and refundable deposits (note 5)	76,440	31,097
	<u>1,404,201</u>	<u>1,195,634</u>
Investment in PARTEQ Angel Network (note 6(a))	<u>10,000</u>	<u>20,000</u>
Capital Assets (note 7)	<u>72,495</u>	<u>121,140</u>
	<u>\$1,486,696</u>	<u>\$1,336,774</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 249,780	\$ 225,304
Payable to City of Kingston (note 18)	46,283	-
Deferred revenue (note 8)	50,039	162,374
	<u>346,102</u>	<u>387,678</u>
Deferred Contributions Related to Capital Assets (note 9)	27,749	44,948
Deferred Lease Inducements (note 10)	23,557	39,822
	<u>397,408</u>	<u>472,448</u>
<b>Fund Balances</b>		
Investment in Capital Assets (note 11)	44,746	76,192
Board Restricted (note 6(a))	10,000	20,000
Other Board Restricted (note 6(b))	90,000	20,000
Unrestricted	944,542	748,134
	<u>1,089,288</u>	<u>864,326</u>
	<u>\$1,486,696</u>	<u>\$1,336,774</u>

**Commitments and Contingencies (note 15)**

**Economic Dependence (note 19)**

**Restructuring (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, 2017**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Contributions from the Corporation of the City of Kingston (note 18)	\$2,615,903	\$2,615,901
Provincial government contributions (note 12)	620,622	275,388
Federal government contributions	47,297	45,703
Resale materials	103,336	156,030
Events and seminars	10,820	32,797
Partnership revenue and corporate investors (note 13)	174,332	105,534
Amortization of deferred contributions (note 9)	17,199	17,199
Commissions & online reservations (net)	7,043	19,114
Interest	8,969	6,896
	<u>3,605,521</u>	<u>3,274,562</u>
<b>Expenses</b>		
Accounting and legal (note 15 and 18)	102,164	76,635
Advertising	258,239	384,010
Amortization	87,960	82,362
Bank charges	9,745	12,449
Equipment rental	127	3,922
Events and meetings	133,405	213,945
Grant disbursements	466,750	-
Information technology support (notes 15 and 18)	46,488	56,329
Insurance	12,162	8,069
Memberships and licenses	53,363	59,603
Office and miscellaneous	43,689	54,721
Professional contractors	349,395	247,778
Professional development	21,037	36,163
Rent (note 15 and 18)	134,300	157,632
Resale materials	38,898	79,854
Salaries and benefits	1,267,484	1,350,658
Sponsorships and donations	259,740	210,525
Telephone	15,112	16,171
Travel	70,501	71,376
	<u>3,370,559</u>	<u>3,122,202</u>
<b>Excess of revenues over expenses before the undernoted item</b>	<u>234,962</u>	<u>152,360</u>
Impairment in investment in PARTEQ Angel Network (note 6(a))	10,000	-
<b>Excess of revenues over expenses</b>	<u>\$ 224,962</u>	<u>\$ 152,360</u>

**Kingston Economic Development Corporation**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2017**

	<b>Investment in Capital Assets</b>	<b>Board Restricted</b>	<b>Other Board Restricted</b>	<b>Unrestricted</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>Balance at beginning of year</b>	\$76,192	\$20,000	\$20,000	\$748,134	\$ 864,326	\$711,966
Excess (deficiency) of revenues over expenses	(70,761)	(10,000)	-	305,723	224,962	152,360
Interfund transfer (note 6(b))	-	-	70,000	(70,000)	-	-
Change in investment in capital assets	39,315	-	-	(39,315)	-	-
<b>Balance at end of year</b>	<b>\$44,746</b>	<b>\$10,000</b>	<b>\$90,000</b>	<b>\$944,542</b>	<b>\$1,089,288</b>	<b>\$864,326</b>

See accompanying notes to financial statements.



**Kingston Economic Development Corporation**  
**Statement of Cash Flow**  
**Year Ended December 31, 2017**

	2017	2016
<b>Cash flow from (used in) operating activities</b>		
Excess of revenues over expenses	\$ 224,962	\$ 152,360
Add (deduct) items not affecting cash		
Amortization	87,960	82,362
Amortization of deferred capital contributions	(17,199)	(17,199)
Deferred lease inducements	(16,265)	(12,500)
Impairment in investment in PARTEQ Angel Network (note 6(a))	10,000	-
	<u>289,458</u>	<u>205,023</u>
Changes in non-cash working capital balances		
Accounts receivable	(170,083)	(37,911)
Inventory	2,031	16,602
Sales tax recoverable	(18,823)	1,622
Prepaid expenses and refundable deposits	(45,343)	(15,938)
Accounts payable and accrued liabilities	24,476	(32,770)
Receivable from/payable to City of Kingston	304,355	(485,893)
Deferred revenue	(112,335)	133,323
	<u>273,736</u>	<u>(215,942)</u>
<b>Cash flow used in investing activities</b>		
Purchase of capital assets	(39,315)	(80,460)
Purchase of investments	(5,263)	(4,023)
	<u>(44,578)</u>	<u>(84,483)</u>
<b>Net increase (decrease) in cash</b>	229,158	(300,425)
<b>Cash at beginning of year</b>	<u>519,227</u>	<u>819,652</u>
<b>Cash at end of year</b>	<u>\$748,385</u>	<u>\$519,227</u>

See accompanying notes to financial statements.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

**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) Inventory

Inventory represents resale materials at the Visitor Experience Centre. Inventory is valued at the lower of cost and net realizable value, where cost is computed using the average cost method. Obsolete and slow-moving items are written down to their estimated net realizable values.

(c) 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.

**Kingston Economic Development Corporation  
Notes to Financial Statements (continued)  
Year Ended December 31, 2017**

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

(c) Revenue Recognition (continued)

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.

(d) 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
Display units	7 years
Signage	7 years
Voicemail system	7 years
Leasehold improvements	10 years
CRM system	10 years
Video Library	2 years

(e) 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.

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

(f) 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.

(g) 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.

(h) 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.

(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.

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.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**3. Investments**

Investments are comprised of the following:

	<u>2017</u>	<u>2016</u>
1.15% Term deposit with Kawartha Credit Union, maturing March 25, 2018	\$ 168,380	\$ 165,004
1.15% Term deposit with Kawartha Credit Union, maturing July 7, 2018	111,995	110,108
	<u>\$ 280,375</u>	<u>\$ 275,112</u>

**4. Accounts Receivable**

	<u>2017</u>	<u>2016</u>
Provincial contributions receivable	\$ 174,412	\$ -
Federal contributions receivable	39,999	26,798
Tourism Kingston trade receivables	18,366	-
Economic Development trade receivables	2,718	-
Other trade receivables	-	38,614
	<u>\$ 235,495</u>	<u>\$ 65,412</u>

The allowance for doubtful accounts is \$Nil (2016 - \$Nil).

**5. Prepaid Expenses and Refundable Deposits**

	<u>2017</u>	<u>2016</u>
Innovation Park office rent	\$ 10,600	\$ 10,600
Trade show registration	4,926	8,080
Travel costs	7,665	10,477
Memberships	10,284	1,681
Partnerships and sponsorships	6,000	-
Media	29,180	-
Contracted services	7,785	259
	<u>\$ 76,440</u>	<u>\$ 31,097</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**6. Board Restricted Funds**

(a) Board restricted funds are comprised of:

	<u>2017</u>	<u>2016</u>
PARTEQ Angel Network Fund	<u>\$ 10,000</u>	<u>\$ 20,000</u>
PARTEQ Angel Network Fund		

The Corporation holds 20,000 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. and Switchable Solutions at \$10,000 each. The result of these investments is that the Corporation has shareholder rights in both of these companies which translates into less than 1% share in each company.

Subsequent to year-end, the Corporation was informed by EnerNext Counsel that Switchable Solutions was dissolving and has therefore recorded a \$10,000 write-down in the carrying value of its investment.

(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:

	<b>Board Approval</b>	<b>Opening Balance</b>	<b>Actual Transfer in Year</b>	<b>Expenses in Year</b>	<b>Ending Balance</b>
Business Retention and Expansion	\$ 50,000	\$	\$ 50,000	\$ -	\$ 50,000
Brier - Tourism	<u>40,000</u>	<u>20,000</u>	<u>20,000</u>	-	<u>40,000</u>
	<u>\$ 90,000</u>	<u>\$ 20,000</u>	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**7. Capital Assets**

	2017			2016
	Cost	Accumulated Amortization	Net	Net
Computer software	\$152,787	\$144,549	\$8,238	\$37,639
Computer hardware	161,705	159,153	2,552	4,699
Furniture and equipment	107,755	106,787	968	2,887
Display units	48,861	48,861	-	-
Signage	120,931	112,304	8,627	11,890
Voicemail system	34,444	34,444	-	-
Leasehold improvements - Innovation Park	175,193	147,447	27,746	44,946
Video Library	18,558	9,279	9,279	-
CRM System	39,938	24,853	15,085	19,079
	<u>\$860,172</u>	<u>\$787,677</u>	<u>\$72,495</u>	<u>\$121,140</u>

Cost and accumulated amortization in 2016 were \$820,858 and \$699,718 respectively.

**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:

	2017	2016
Small Business Enterprise Centres program	\$ 50,039	\$ 83,056
Starter Company program	-	61,463
Partnership Revenue – Tourism	-	17,855
Balance at end of year	<u>\$ 50,039</u>	<u>\$ 162,374</u>

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

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

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

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 44,948	\$ 62,147
Less amounts amortized to revenue		
-Innovation Park	(17,199)	(17,199)
Balance at end of year	<u>\$ 27,749</u>	<u>\$ 44,948</u>

**10. Deferred Lease Inducements**

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

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 39,822	\$ 52,322
Add rent expense for the year	108,735	112,500
Less rents paid during the year	(125,000)	(125,000)
Balance at end of year	<u>\$ 23,557</u>	<u>\$ 39,822</u>

**11. Investment in Capital Assets**

Net assets invested in capital assets are calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 72,495	\$ 121,140
Less deferred contributions to related capital	(27,749)	(44,948)
	<u>\$ 44,746</u>	<u>\$ 76,192</u>

**12. Provincial Government Contributions**

	<u>2017</u>	<u>2016</u>
Small Business Enterprise Centres program	\$ 33,017	\$ 65,575
Summer Company program	124,500	55,499
Starter Company program	61,463	152,788
Starter Company Plus program	399,412	-
Other	2,230	1,526
	<u>\$620,622</u>	<u>\$275,388</u>



**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**13. Partnership Revenue and Corporate Investors**

	<u>2017</u>	<u>2016</u>
City of Kingston – Kingston Film Office	\$ 55,000	\$ -
Frontenac Community Futures Development Corporation	69,051	-
St. Lawrence Parks Commission	30,000	-
Kingston Accommodation Partners	13,728	69,249
Tourism partnership program	6,553	
Other	-	36,285
	<u>\$174,332</u>	<u>\$105,534</u>

**14. Bank Credit Facility**

The Corporation has a short-term line of credit facility of \$100,000 (2016 - \$100,000) of which none had been drawn as at December 31, 2017. The line of credit bears interest at the lender's prime rate and is secured by a general security agreement.

**15. Commitments and Contingencies**

(a) The Corporation is committed to a lease for office space under an operating lease expiring July 2019. The annual lease payments amount to \$125,000 per year.

Under the written terms of the lease, the Corporation can terminate the lease with six months written notice and the repayment of \$87,500 related to leasehold improvements performed by the landlord on behalf of the Corporation.

The Corporation has an informal arrangement with Tourism Kingston that they will sub-lease a portion of the premises during 2018 and until the lease expires in July 2019.

(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 \$46,488 (2016 - \$56,329). A new agreement will be written for 2018 exclusive to the Economic Development Office.

**15. Commitments and Contingencies (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 \$36,328 (2016 - \$35,616). A new agreement will be written for 2018 exclusive to the Economic Development Office.
- (d) The Corporation is committed to a three-year lease with the City of Kingston for the Visitor Experience Centre. The lease expires on Dec 31, 2019. The Corporation paid rent of \$39,345 (2016 - \$38,574). See note 21. This commitment will be with Tourism Kingston in 2018.
- (e) The Corporation is committed to a three-year contract with Lean Advisors Online, Inc. for a new online learning system to support the Starter Company Plus program. An initial payment of \$20,000 was made in 2016, with commitments of \$10,000 in each of 2017 and 2018. In addition, there is a commitment for technical support services up to a maximum of \$1,750.
- (f) The Corporation has approved, subsequent to year-end, a \$40,000 service level agreement with Launch Lab to provide business consulting support for business development programs. The agreement ends on December 31, 2018.
- (g) The Corporation is party to an on-going request for information under Ontario's Municipal Freedom of Information and Protection of Privacy Act ("MFIPPA"). The Corporation has estimated that the cost of providing the requested information to be \$42,000. The Corporation is not waiving the fee to provide the information and is therefore seeking that the requestors of information reimburse the Corporation for the cost of providing the information. As such, the matter is before an adjudicator to determine the outcome of the matter. At this time it is not possible to determine the outcome of the matter.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**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 \$5.4 billion (at December 31, 2017) 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 amount contributed to OMERS for 2017 was \$77,568 (2016 - \$86,836) and is included as an expense in the statement of operations.

**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, 2016 and there is expected to be no substantial change in the next fiscal year.

**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.

The Corporation operates under a service level agreement with the City whereby the City pays certain expenses on behalf of the Corporation. The Corporation has a \$46,283 payable to the City at year-end related to its service level agreement. In the prior year the Corporation had a \$258,072 receivable from the City of Kingston.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

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

The City provided revenues of \$2,615,903 (2016 - \$2,615,901) to the Corporation. The Economic Development Office portion of this was \$1,418,542.

The Corporation paid the City for information systems and technology services, rent for the Tourism Kingston's Visitor Experience Centre and accounting services as described in note 15(b), (c) and (d).

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.

**20. Allocation of Expenses**

The Corporation allocates various administration expenses from the Corporate department to the Business Development and Tourism departments on the Schedule of Operations by Department. The allocation of the administration expenses is 64% to Business Development and 36% to Tourism (2016 – 60% to Business Development; 40% to Tourism Kingston). The allocation is based on the number of staff supporting each department.

**21. Restructuring**

During the 2016 Review Process, it was confirmed by City Council that the Destination Marketing Organization portfolio ("Tourism Kingston") would be separated from Kingston Economic Development Corporation.

During the 2017 year, Tourism Kingston was incorporated as a separate entity. Tourism Kingston established its own Board of Directors and hired an executive director and staff. Tourism Kingston has reported its net assets, revenues and expenses as a department of Kingston Economic Development Corporation for the fiscal year ending December 31, 2017.

**Kingston Economic Development Corporation**  
**Notes to Financial Statements (continued)**  
**Year Ended December 31, 2017**

**21. Restructuring (continued)**

The separation of Tourism Kingston into a standalone not-for-profit Corporation is to be completed effective January 1, 2018. This will have a significant impact on the Kingston Economic Development Corporation's assets, liabilities and fund balances in 2018 and beyond. The expected net asset transfer from Kingston Economic Development Corporation to Tourism Kingston is \$282,450. The 2018 approved City budget amount for Kingston Economic Development Corporation is \$1,439,820.

**22. Comparative Figures**

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

**Kingston Economic Development Corporation**  
**Schedule of Operations by Department**  
**Year Ended December 31, 2017**

	<b>Economic Development Office</b>	<b>Tourism Kingston</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>Revenues:</b>				
Contributions from the Corporation of the City of Kingston	\$1,418,542	\$1,197,361	\$2,615,903	\$2,615,901
Provincial government contributions	618,392	2,230	620,622	275,388
Federal government contributions	47,297	-	47,297	45,703
Resale materials	-	103,336	103,336	156,030
Events and seminars	5,388	5,432	10,820	32,797
Partnership revenue and corporate investors	73,254	101,078	174,332	105,534
Amortization of deferred contributions	17,199	-	17,199	17,199
Commissions & online reservations (net)	-	7,043	7,043	19,114
Interest	7,886	1,083	8,969	6,896
<b>Total Revenues</b>	<b>2,187,958</b>	<b>1,417,563</b>	<b>3,605,521</b>	<b>3,274,562</b>
<b>Expenses:</b>				
Accounting and legal	62,645	39,519	102,164	76,635
Advertising	87,720	170,519	258,239	384,010
Amortization	70,030	17,930	87,960	82,362
Bank charges	4,929	4,816	9,745	12,449
Equipment rental	127	-	127	3,922
Events and meetings	70,819	62,586	133,405	213,945
Grants disbursements	466,750	-	466,750	-
Information technology support	24,435	22,053	46,488	56,329
Insurance	8,350	3,812	12,162	8,069
Memberships and licenses	32,836	20,527	53,363	59,603
Office and miscellaneous	18,538	25,151	43,689	54,721
Professional contractors	244,710	104,685	349,395	247,778
Professional development	20,884	153	21,037	36,163
Rent	53,947	80,353	134,300	157,632
Resale materials	-	38,898	38,898	79,854
Salaries and benefits	717,107	550,377	1,267,484	1,350,658
Sponsorships and donations	76,092	183,648	259,740	210,525
Telephone	6,589	8,523	15,112	16,171
Travel	41,090	29,411	70,501	71,376
<b>Total Expenses</b>	<b>2,007,598</b>	<b>1,362,961</b>	<b>3,370,559</b>	<b>3,122,202</b>
Impairment in investment in PARTEQ Angel Network	10,000	-	10,000	-
<b>Excess of revenues over expenses</b>	<b>\$ 170,360</b>	<b>\$ 54,602</b>	<b>\$ 224,962</b>	<b>\$ 152,360</b>