

Tourism Kingston
Consolidated Financial Statements
Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tourism Kingston

Opinion

We have audited the consolidated financial statements of Tourism Kingston (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in fund balances for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations and its consolidated 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.

- 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 22, 2024

Tourism Kingston
Consolidated Statement of Financial Position
As at December 31, 2023 with comparative information for 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 52,643	\$ 457,351
Accounts receivable (note 3)	88,657	52,818
Due from Kingston Accommodation Partners (note 16(d))	122,933	115,875
Inventory	56,865	48,386
Harmonized sales tax recoverable	44,806	68,880
Prepaid expenses and refundable deposits (note 4)	210,498	191,415
	<u>576,402</u>	<u>934,725</u>
Capital assets (note 5)	<u>609,710</u>	<u>538,376</u>
	<u>\$ 1,186,112</u>	<u>\$ 1,473,101</u>
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 261,613	\$ 242,113
Due to the Corporation of the City of Kingston (note 16(a))	78,006	136,152
Deferred revenue (note 7)	27,780	328,849
Current portion of deferred lease inducements (note 9)	14,000	14,000
	<u>381,399</u>	<u>721,114</u>
Deferred contributions related to capital assets (notes 8 and 16(c))	422,350	275,461
Deferred lease inducements (note 9)	27,648	29,207
	<u>831,397</u>	<u>1,025,782</u>
Fund Balances		
Investment in capital assets (note 10)	187,360	262,915
Unrestricted surplus	167,355	184,404
	<u>354,715</u>	<u>447,319</u>
	<u>\$ 1,186,112</u>	<u>\$ 1,473,101</u>

Commitments (note 13)

Approved on behalf of the Board of Directors:

Member _____

Member _____

See accompanying notes to consolidated financial statements.

Tourism Kingston
Consolidated Statement of Operations
Year Ended December 31, 2023

	2023	2022
Revenues		
Corporation of the City of Kingston:		
Operating grant	\$1,526,844	\$1,468,119
Municipal accommodation tax - special projects	711,955	621,000
Partnership agreements	156,896	277,068
Municipal accommodation tax - short-term rentals	69,507	52,839
Partnership revenue and other funding (notes 12, 16(d) and 16(e))	1,833,856	2,415,708
Government grants (note 11)	396,629	322,756
Visitor Information Centre:		
Resale materials	86,602	62,527
Ticket sales and other revenue	41,982	23,891
Brochure racking	27,202	18,386
Other revenue	28,572	93,337
	<u>4,880,045</u>	<u>5,355,631</u>
Expenses		
Advertising and marketing	872,800	1,667,814
Bank charges	9,298	9,133
Information technology support (notes 13(b) and 16(b))	22,205	20,776
Insurance	4,552	5,334
Marketing and product development	1,438,873	1,332,312
Memberships and licenses	132,635	99,639
Office and miscellaneous	42,345	31,440
Professional development	7,434	27,500
Professional services (notes 13(c) and 16(b))	63,527	62,817
Rent (notes 13(d) and 16(b))	145,984	101,440
Resale materials	61,793	54,352
Salaries and benefits (note 14)	1,579,877	1,382,707
Sponsorships and donations	323,979	279,016
Telephone	10,070	10,821
Tradeshows and sales missions	95,089	107,846
Travel	68,551	62,145
	<u>4,879,012</u>	<u>5,255,092</u>
Excess of revenues over expenses before the undernoted	1,033	100,539
Capital revenues and expenses:		
Amortization of deferred contributions	108,876	91,860
Loss on disposal of capital assets	-	(4,069)
Amortization of capital assets	(202,513)	(188,416)
	<u>(93,637)</u>	<u>(100,625)</u>
Deficiency of revenues over expenses	<u>\$ (92,604)</u>	<u>\$ (86)</u>

See accompanying notes to consolidated financial statements.

**Tourism Kingston
Consolidated Statement of Changes in Fund Balances
Year Ended December 31, 2023**

	Investment in Capital Assets	Unrestricted Surplus	Total 2023	Total 2022
Balance at beginning of year	\$ 262,915	\$ 184,404	\$ 447,319	\$ 447,405
Excess (deficiency) of revenues over expenses (note 10(b))	(93,637)	1,033	(92,604)	(86)
Change in investment in capital assets (note 10(b))	18,082	(18,082)	—	—
Balance at end of year	<u>\$ 187,360</u>	<u>\$ 167,355</u>	<u>\$ 354,715</u>	<u>\$ 447,319</u>

See accompanying notes to consolidated financial statements.

Tourism Kingston
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
Cash flow from (used in) operating activities		
Deficiency of revenues over expenses	\$ (92,604)	\$ (86)
Items not involving cash		
Amortization of capital assets	202,513	188,416
Amortization of deferred contributions	(108,876)	(91,860)
Amortization of deferred lease inducements (note 9)	(1,559)	(11,536)
Loss on disposal of capital assets	-	4,069
Changes in non-cash working capital balances		
Accounts receivable	(35,839)	(38,399)
Due from Kingston Accommodation Partners	(7,058)	659,989
Inventory	(8,479)	(14,618)
Harmonized sales tax recoverable	24,074	28,533
Prepaid expenses and refundable deposits	(19,083)	(160,888)
Accounts payable and accrued liabilities	19,500	(74,235)
Due to the Corporation of the City of Kingston	(58,146)	220,970
Deferred revenue	(301,069)	(784,477)
	<u>(386,626)</u>	<u>(74,122)</u>
Cash flow used in investing activities		
Purchase of capital assets	(273,847)	(50,535)
Cash flow from financing activities		
Contributions received for the purchase of capital assets	255,765	60,000
Decrease in cash	<u>(404,708)</u>	<u>(64,657)</u>
Cash at beginning of year	457,351	522,008
Cash at end of year	<u>\$ 52,643</u>	<u>\$ 457,351</u>

See accompanying notes to consolidated financial statements.

Tourism Kingston
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. Purpose of the Corporation:

Tourism Kingston (the “Corporation”) is incorporated without share capital as a not-for-profit corporation under the laws of Ontario. The Corporation's purpose is to generate and increase overnight visitation that outpaces provincial industry results by working closely with community partners and executing against the Corporation’s sales plan in the pillars of Film and Music, Marketing and Communications, Business and Events, Travel Trade, and Sport and Wellness, all fully supported by the Visitor Information Centre (“VIC”).

2. Significant accounting policies:

These consolidated 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) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity includes the Corporation’s operations plus all organizations that are controlled by the Corporation. Effective October 10, 2021, the Corporation incorporated the film department as the Kingston Film and Media Commission, a not-for-profit organization. As at December 31, 2023, the total assets, liabilities, revenue and expenses of the Kingston Film and Media Commission were \$Nil (2022 - \$Nil).

(b) Inventory:

Inventory represents resale materials at the Visitor Information Centre. Inventory is valued at the lower of cost and net realizable value, where cost is computed using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Obsolete and slow-moving items are written down to their estimated net realizable values.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

2. Significant accounting policies (continued):

(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 where related expenses are incurred.

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 partnerships and other funding 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.

Revenues from the Visitor Information Centre are recognized when merchandise is received or service is provided to the customer, provided that the consideration is fixed or determinable and collection is reasonably assured.

Other revenues are recognized when earned.

(d) 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.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

2. Significant accounting policies (continued):

(d) Capital assets (continued):

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

Equipment	5 years
Furniture and fixtures	3-5 years
Leasehold improvements	5 years
Signs	7 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.

Work-in-progress is not amortized until the asset is available for productive use, at which time it is capitalized.

(e) Donated 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 consolidated financial statements.

(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.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

2. Significant accounting policies (continued):

(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, reduced rent payments in the early periods of the lease and inducements received for the purchase of leasehold improvements. The deferred lease inducements are amortized on a straight-line basis against rent expense on the Consolidated Statement of Operations over the term of the lease.

(h) Employee future benefits:

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

(i) 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.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

2. Significant accounting policies (continued):

(i) Financial instruments (continued):

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.

(j) Use of estimates:

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Accounts receivable:

Accounts receivable are comprised of the following:

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ 79,180	\$ 42,160
Trade receivables	9,477	10,658
	<u>\$ 88,657</u>	<u>\$ 52,818</u>

The allowance for doubtful accounts is \$Nil (2022 - \$Nil).

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

4. Prepaid expenses and refundable deposits:

	<u>2023</u>	<u>2022</u>
Contracted services	\$ 96,432	\$ 62,967
Advertising	66,032	101,389
Rent	21,813	25,701
Travel and conference costs	15,010	–
Memberships	8,979	1,138
Payroll	2,232	220
	<u>\$ 210,498</u>	<u>\$ 191,415</u>

5. Capital assets:

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Amortization	Net book value	Net book value
Equipment	\$ 79,666	\$ 20,444	\$ 59,222	\$ 21,793
Furniture and Fixtures	883,795	422,911	460,884	358,118
Leasehold improvements-VIC	70,000	49,000	21,000	35,000
Signs	52,052	18,590	33,462	40,898
CRM System	68,897	33,755	35,142	42,032
Work in progress	–	–	–	40,535
	<u>\$ 1,154,410</u>	<u>\$ 544,700</u>	<u>\$ 609,710</u>	<u>\$ 538,376</u>

Cost and accumulated amortization of capital assets at December 31, 2022 amounted to \$1,168,459 and \$630,083, respectively.

During the year, capital assets with a cost and accumulated amortization of \$287,896 (2022 - \$Nil) were disposed of for proceeds of \$Nil (2022 - \$Nil).

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

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$19,120 (2022 - \$Nil) which includes amounts payable for payroll-related taxes.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

7. 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. Deferred revenue is comprised of:

	<u>2023</u>	<u>2022</u>
Provincial Government - Francophone Community Grant Program	\$ 16,980	\$ 31,805
Provincial Government - Reconnect Festival & Event Program	10,800	–
City of Kingston - MAT reserve	–	198,228
Federal Government - Tourism Relief Grant	–	82,672
Kingston Accommodation Partners - Airport Campaign	–	16,144
	<u>\$ 27,780</u>	<u>\$ 328,849</u>

8. Deferred contributions related to capital assets:

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 275,461	\$ 307,321
Add: Contributions received during the year	255,765	60,000
Less: Amounts amortized to revenue	(108,876)	(91,860)
Balance at end of year	<u>\$ 422,350</u>	<u>\$ 275,461</u>

The balance of unamortized and unspent funds consists of the following:

	<u>2023</u>	<u>2022</u>
Unamortized capital contributions used to purchase capital assets	\$ 420,126	\$ 255,996
Unspent contributions related to capital assets	2,224	19,465
Balance at end of year	<u>\$ 422,350</u>	<u>\$ 275,461</u>

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

9. Deferred lease inducements:

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 43,207	\$ 54,743
Straight-line rent:		
Add: Rent expense for the year	145,984	101,440
Less: Rent paid during the year	(133,543)	(98,976)
Amortization of straight-line rent	<u>12,441</u>	<u>2,464</u>
Tenant inducements:		
Amortization of tenant inducements	<u>(14,000)</u>	<u>(14,000)</u>
Balance at end of year	<u>41,648</u>	<u>43,207</u>
Less: current portion of deferred lease inducements	<u>(14,000)</u>	<u>(14,000)</u>
	<u>\$ 27,648</u>	<u>\$ 29,207</u>

	<u>2023</u>	<u>2022</u>
Amortization of deferred lease inducements:		
Amortization of straight-line rent	\$ 12,441	\$ 2,464
Amortization of tenant inducements	<u>(14,000)</u>	<u>(14,000)</u>
	<u>\$ (1,559)</u>	<u>\$ (11,536)</u>

10. Invested in capital assets:

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

	<u>2023</u>	<u>2022</u>
Capital assets	\$ 609,710	\$ 538,376
Less: Deferred contributions related to capital assets	<u>(422,350)</u>	<u>(275,461)</u>
Balance at end of year	<u>\$ 187,360</u>	<u>\$ 262,915</u>

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

10. Invested in capital assets (continued):

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 262,915	\$ 373,005
Excess (deficiency) of revenues over expenses:		
Amortization of deferred contributions	108,876	91,860
Amortization of capital assets	(202,513)	(188,416)
Loss on disposal of capital assets	–	(4,069)
	<u>(93,637)</u>	<u>(100,625)</u>
Net change in investment in capital assets:		
Purchase of capital assets	273,847	50,535
Deferred contributions received	(255,765)	(60,000)
	<u>18,082</u>	<u>(9,465)</u>
Balance at end of year	<u>\$ 187,360</u>	<u>\$ 262,915</u>

11. Government grants:

	<u>2023</u>	<u>2022</u>
Federal Government:		
Tourism Relief Fund	\$ 208,759	\$ 99,745
Canada Summer Jobs	32,636	55,193
Canadian Urban Institute - My Main Street	–	29,604
Tourism Economic Development & Recovery Fund	–	20,000
Provincial Government:		
Tourism Development Fund	25,000	–
Francophone Community Grant Program	48,006	47,846
Reconnect Experience Ontario	44,536	70,368
Tourism Skillsnet North	37,692	–
	<u>\$ 396,629</u>	<u>\$ 322,756</u>

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

12. Partnership revenue and other funding:

	<u>2023</u>	<u>2022</u>
Kingston Accommodation Partners (notes 16(d) and 16(e))	\$ 1,530,094	\$ 2,303,815
St. Lawrence Parks Commission	192,198	–
GEP Chucky Inc.	26,175	–
Killing Victoria Productions	25,000	–
Other	11,599	6,443
Kingston Destination Group	7,770	2,500
Region 9 Regional Tourism Organization	6,700	50,000
Queen’s University at Kingston	5,370	2,500
Frontenac Club Inn	5,270	–
Delta Hotels by Marriott Kingston Waterfront	5,210	3,815
Downtown Kingston BIA!	5,000	20,000
Kingston Canadian Film Festival	5,000	5,000
Holiday Inn Waterfront	4,720	4,065
Kingston Economic Development Corporation	3,000	11,070
The Secret Garden Inn at Argyle Place	750	3,500
Historic Inns of Kingston	–	3,000
	<u>\$ 1,833,856</u>	<u>\$ 2,415,708</u>

13. Commitments:

- (a) The Corporation is committed to a lease for office space expiring November 2032 with annual lease charges of \$45,034. The Corporation is committed to an additional lease for office space with remaining lease payments to the expiration of the agreement on July 31, 2024 of \$18,798.
- (b) The Corporation is committed to a service level agreement with the Corporation of the City of Kingston (the “City”) for information systems and technology services. The annual charges for these services amount to \$22,205 (2022 - \$20,776).
- (c) The Corporation is committed to a service level agreement with the City for accounting and reporting services. The annual charges for these services amount to \$21,355 (2022 - \$20,146).

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

13. Commitments (continued):

- (d) The Corporation is committed to a five-year lease with the City for the Visitor Information Centre expiring on July 31, 2025, with an option to renew for five years. The Corporation paid rent of \$43,802 (2022 - \$43,449) to the City.
- (e) The Corporation is committed to certain advertising service agreements with expiration dates extending to December 31, 2025. The remaining commitment under these agreements at December 31, 2023 is \$1,138,357.

14. Pension costs and obligations:

The Corporation makes contributions to Empire Life on behalf of its staff to a group retirement savings plan ("RSP"). The plan is a defined contribution plan which offers employees with less than ten years of service a match up to a maximum of 5% of their gross annual salary. In 2023, amounts expensed related to these contributions were \$46,657 (2022 - \$40,052) and are included in salaries and benefits on the Consolidated Statement of Operations.

15. Fair value of financial instruments:

The carrying amounts for cash, accounts receivable, due from Kingston Accommodation Partners, 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 interest rate, liquidity or credit risks arising from its financial instruments.

There has been no change to the risk exposure from December 31, 2022.

Tourism Kingston
Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2023

16. Related party transactions:

The Corporation is related to the City by virtue of the fact that the City has representation on the Board of Directors of the Corporation and is the major source of revenue for the Corporation. Revenue derived from the City accounts for 49.41% (2022 - 44.41%) of total revenue.

The Corporation signed as a party to the Municipal Accommodation Tax Tripartite Agreement (the "Agreement") dated January 12, 2021. The three parties to the Agreement are the Corporation, the City and Kingston Accommodation Partners Inc. ("KAP"). The Agreement designates KAP the agent to collect the municipal accommodation tax ("MAT") on behalf of and for the City. The MAT is a transient accommodations tax levied by the City. Of the total MAT collected, 65% shall be directed to KAP for marketing and destination development purposes. The Corporation is designated through the Agreement to be eligible to receive a portion of the MAT revenues. The amount eligible to the Corporation is set annually through the setting of the annual MAT budget with all parties to the Agreement. The remaining 35% shall be redirected to a Development Fund held in trust for the City. The Development Fund is to fund product development, major event attraction, as well as strategic initiatives.

- (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 Consolidated Statement of Operations.

The Corporation also operates under a contractual agreement with the City whereby the City pays certain expenses on behalf of the Corporation. The Corporation has a payable of \$78,006 (2022 - \$136,152) to the City at year-end related to this agreement.

- (b) The Corporation paid the City for information systems and technology services, rent for the Tourism Kingston's Visitor Information Centre and accounting services as described in notes 13(b), (c) and (d).
- (c) During the year, the Corporation received \$255,765 of funding for the purchase of capital assets (2022 - \$60,000) from the City which have been recorded as deferred contributions related to capital assets on the Consolidated Statement of Financial Position.

Tourism Kingston
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16. Related party transactions (continued):

- (d) The Corporation receives funding from Kingston Accommodation Partners through the MAT agreement, as well as other program-based funding. The revenues from Kingston Accommodation Partners have been recorded as partnership revenue and other funding on the Consolidated Statement of Operations, as disclosed in note 12. Included in the Due from Kingston Accommodation Partners at year-end is \$122,933 (2022 - \$115,875) related to this agreement.
- (e) During the year, the Corporation entered into a rent sublease agreement with Kingston Accommodation Partners for shared office space at 177 Wellington Street. The revenue earned from the sublease agreement of \$20,057 (2022 - \$Nil) has been recorded as partnership revenue and other funding on the Consolidated Statement of Operations.

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

17. Comparative information:

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