

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

# *Retzlaff & Wong*

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## INDEPENDENT AUDITORS' REPORT

To the Board of  
Momentum Community Economic Development Society

We have audited the accompanying financial statements of Momentum Community Economic Development Society, which comprise of the statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows for the year ended December 31, 2012, 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.

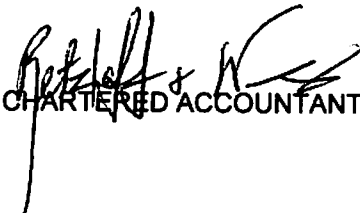
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society'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 purposes of expressing an opinion on the effectiveness of the Society'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Momentum Community Economic Development Society as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CALGARY, ALBERTA  
March 7, 2013

  
CHARTERED ACCOUNTANTS

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 3,143,639	\$ 2,809,957
Accounts receivable	425,235	439,612
Participant loans due within one year (Note 4)	121,208	148,549
Prepaid expenses and deposits	<u>38,804</u>	<u>41,365</u>
	3,728,886	3,439,483
Restricted cash and cash equivalents (Note 3)	572,457	465,518
Participant loans less amount due within one year (Note 4)	73,197	118,224
Endowment funds	243,464	137,396
Capital assets (Note 5)	<u>455,820</u>	<u>104,467</u>
	<u>\$ 5,073,824</u>	<u>\$ 4,265,088</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 923,357	\$ 755,371
Deferred revenue	<u>974,642</u>	<u>793,253</u>
	1,897,999	1,548,624
Deferred contributions related to capital assets (Note 6)	60,000	-
Externally restricted funds (Note 7)	<u>766,862</u>	<u>732,291</u>
	<u>2,724,861</u>	<u>2,280,915</u>
Commitments (Note 8)		
Guarantee (Note 9)		
<b><u>NET ASSETS</u></b>		
Invested in capital assets	395,820	104,467
Internally restricted (Note 10)	1,709,679	1,742,310
Restricted for endowment purposes (Note 11)	<u>243,464</u>	<u>137,396</u>
	<u>2,348,963</u>	<u>1,984,173</u>
	<u>\$ 5,073,824</u>	<u>\$ 4,265,088</u>

APPROVED BY:

 Treasurer

 Chairperson

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>(Note 14)</u> <u>2011</u>
<b>REVENUES</b>		
Government contracts		
Alberta	\$ 1,288,388	\$ 1,111,034
Canada	333,010	417,788
City of Calgary (Note 12)	420,269	336,297
Community support (Note 13)		
United Way of Calgary and Area (Note 12)	1,556,297	1,473,772
Corporate	563,855	521,805
Foundations (Note 12)	902,933	1,079,860
Individuals	356,239	343,555
Fees and other revenue	747,723	146,001
Investment	<u>66,593</u>	<u>105,101</u>
	<u>6,235,307</u>	<u>5,535,213</u>
<b>EXPENSES</b>		
Salaries and benefits	3,348,375	2,885,015
Program expenses (Note 12)	1,324,021	1,440,490
Designated for loans and savings	250,919	315,754
Facilities	310,215	261,963
Office and general expenses	253,665	245,703
Staff and board development	199,184	177,265
Advertising	<u>109,284</u>	<u>99,988</u>
	<u>5,795,663</u>	<u>5,426,178</u>
Excess of operating revenues over expenses	439,644	109,035
Gain (loss) on investments in endowment fund	14,317	( 355)
Amortization	<u>( 189,171)</u>	<u>( 83,428)</u>
<b>Excess of revenues over expenses</b>	<b><u>\$ 264,790</u></b>	<b><u>\$ 25,252</u></b>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Invested in capital assets</u>	<u>Endowment Funds</u>	<u>(Note 10) Internally Restricted</u>	<u>Unrestricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Net assets, beginning of year	\$ 104,467	\$ 137,396	\$ 1,742,310	\$ -	\$ 1,984,173	\$ 1,958,921
Changes in endowment funds	-	106,068	-	( 6,068)	100,000	-
Excess (deficiency) of revenues over expenses	291,353 <sup>1</sup>	-	( 285,000)	258,437	264,790	25,252
Internally imposed restrictions	<u>-</u>	<u>-</u>	<u>252,369</u>	<u>( 252,369)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 395,820</u>	<u>\$ 243,464</u>	<u>\$ 1,709,679</u>	<u>\$ -</u>	<u>\$ 2,348,963</u>	<u>\$ 1,984,173</u>

<sup>1</sup>Consists of:

Amortization expense	\$( 189,171)
Amortization of deferred contributions related to capital assets	15,000
Capital assets purchased with internally restricted contributions	285,000
Capital assets purchased with externally restricted contributions	75,000
Capital assets purchased with unrestricted contributions	180,524
Deferred contributions related to capital assets	<u>( 75,000)</u>
Increase in net assets invested in capital assets	<u>\$ 291,353</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 264,790	\$ 25,252
Amortization	189,171	83,428
(Gain) loss on endowment fund	( 14,317)	355
Amortization of deferred contributions	( 15,000)	-
Net change in non-cash working capital balances related to operations		
Accounts receivable	14,377	( 242,476)
Prepaid expenses and deposits	2,561	5,017
Changes in endowment funds	( 91,751)	10,177
Accounts payable and accrued liabilities	167,986	( 22,772)
Deferred revenue	<u>181,389</u>	<u>( 27,869)</u>
	<u>699,206</u>	<u>( 168,888)</u>
<b>INVESTING ACTIVITIES</b>		
Participant loans repayments	184,205	1,472,127
Participant loans advances	( 111,837)	( 867,784)
Purchase of capital assets	<u>( 540,524)</u>	<u>( 49,888)</u>
	<u>( 468,156)</u>	<u>554,455</u>
<b>FINANCING ACTIVITIES</b>		
Increase in deferred contributions related to capital assets	75,000	-
Increase in endowment fund	100,000	-
Increase (decrease) in externally restricted contributions	<u>34,571</u>	<u>( 601,451)</u>
	<u>209,571</u>	<u>( 601,451)</u>
<b>Change in cash</b>	<b>440,621</b>	<b>( 215,884)</b>
Cash, beginning of year	<u>3,275,475</u>	<u>3,491,359</u>
Cash, end of year	<u>\$ 3,716,096</u>	<u>\$ 3,275,475</u>
<b>Cash consists of:</b>		
Cash and cash equivalents	\$ 3,143,639	\$ 2,809,957
Restricted cash and cash equivalents	<u>572,457</u>	<u>465,518</u>
	<u>\$ 3,716,096</u>	<u>\$ 3,275,475</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

**1. PURPOSE OF THE ORGANIZATION**

Momentum Community Economic Development Society, hereafter referred to as "The Society", is an organization which partners with people living on low incomes to increase prosperity, and inspires the development of local economies with opportunities for all. Revenue to advance this mission is realized through government contracts, corporate funding and private donations. The purpose of the Society is to reduce poverty through community economic development programs that aim at improving the capacity and self-reliance of persons and communities with low incomes. The Society is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta and is a registered charity under the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The most significant accounting policies are summarized below:

**a) Revenue recognition**

The Society follows the deferral method of accounting for contributions.

Fees and services related to the courses and programs are recognized as revenue when such courses and programs are delivered.

Designated funds are recorded as deferred contributions until spent. Once spent, they are transferred to revenue on the same basis as the assets or expenses for the fund.

Endowment contributions are recognized as direct increases in net assets.

**b) Capital assets**

Capital assets are recorded at cost. Acquisitions with a per unit cost under \$1,000 are expensed in the year of acquisition. Amortization is recorded on a straight-line basis, beginning in the year of acquisition, at the following annual rates:

Leasehold improvements	5 years
Computer and office furniture	3 years

**c) Contributed services**

Volunteers assist the Society in carrying out certain activities. During the year, volunteers contributed an estimated 2,500 hours of services to assist the Society in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**d) Measurement uncertainty**

The preparation of the financial statements of the Society is in conformity with Canadian accounting standards for not-for-profit organizations that require management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are subject to measurement uncertainty and may differ from actual results.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**e) Financial instruments**

The Society's financial instruments consist mainly of cash and cash equivalents, accounts receivable, loans receivable, and accounts payable and accrued liabilities. Unless otherwise indicated, it is management's opinion that the Society is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value.

**3. RESTRICTED CASH AND CASH EQUIVALENTS**

Cash and cash equivalents have been set aside to meet certain externally restricted obligations. Refer to Note 7 for externally restricted funds.

**4. PARTICIPANT LOANS**

Loans to qualified program participants are repayable on a monthly basis with interest at prime plus 1.5% to prime plus 2%. The loans mature between January 2013 and February 2018 and are externally restricted. Refer to Note 7 for externally restricted funds.

**5. CAPITAL ASSETS**

	<u>2012 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 1,057,317	\$ 723,845	\$ 333,472
Computer and office furniture	<u>954,369</u>	<u>832,021</u>	<u>122,348</u>
	<u>\$ 2,011,686</u>	<u>\$ 1,555,866</u>	<u>\$ 455,820</u>
	<u>2011 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 675,372	\$ 616,063	\$ 59,309
Computer and office furniture	<u>795,790</u>	<u>750,632</u>	<u>45,158</u>
	<u>\$ 1,471,162</u>	<u>\$ 1,366,695</u>	<u>\$ 104,467</u>

**6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS**

Deferred contributions related to capital assets represent the funds contributed to the Society by funders to assist with Society's expansion. These deferred contributions are recognized as revenue on the same basis as the amortization expense related to the part of the leasehold improvement covered by these funds.



**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

**7. EXTERNALLY RESTRICTED FUNDS**

	<u>2012</u>	<u>2011</u>
Micro Business loan fund	\$ 450,749	\$ 396,806
Rent Bank loan fund	228,188	227,161
Entrepreneurs with Disabilities loan fund	67,737	87,915
Emergency loan fund	<u>20,188</u>	<u>20,409</u>
	<u>\$ 766,862</u>	<u>\$ 732,291</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 572,457	\$ 465,518
Loans	<u>194,405</u>	<u>266,773</u>
	<u>\$ 766,862</u>	<u>\$ 732,291</u>

Effective December 31, 2011 the Immigrant Access loan funds have been transferred to the Immigrant Access Fund Society with Momentum continuing to administer the funds on behalf of the Society.

**8. COMMITMENTS**

The Society has entered into various agreements with approximate minimum aggregate annual commitments as follows:

The Society has two sixty month operating leases for rental of its office premises. The lease agreements expire April 2017 and require monthly payments of \$11,644 plus operating costs for the first 24 months, monthly payments of \$12,203 for another 24 months and monthly payments of \$12,762 plus operating costs for the remaining twelve months.

The Society has entered into two equipment lease agreements which require quarterly payments of \$1,959 and \$2,016. The lease's expire in March 2014 and February 2016 respectively.

The Society has entered into two equipment lease agreements which each require monthly payment of \$279. The lease's expire in May 2014 and October 2015 respectively.

The payments required under these lease agreements for the following five years are as follows:

2013	\$ 162,326
2014	158,967
2015	157,290
2016	152,923
2017	51,048

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

**9. GUARANTEE**

The Society has a \$169,000 letter of guarantee in favour of the Minister of Alberta Human Services outstanding as of December 31, 2012. The guarantee expires on June 30, 2013.

**10. INTERNALLY RESTRICTED**

In 2010 the Society made a decision to restrict the unrestricted funds as well as any surpluses. The Society has created funds to address future requirements of the Society in the areas of Sustainability, Strategic development and Capital. The Sustainability fund is setup to bridge gaps in program funding and has a target goal of 25% of the upcoming year's budget. The Strategic fund is setup to allow the Society to be proactive and seize new opportunities when they arrive. The Capital fund is created to fund the upcoming capital requirements of the Society.

	<u>2012</u>	<u>2011</u>
Sustainability Fund	\$ 1,436,693	\$ 1,304,324
Strategic Fund	152,986	152,986
Capital Fund	<u>120,000</u>	<u>285,000</u>
	<u>\$ 1,709,679</u>	<u>\$ 1,742,310</u>

**11. ENDOWMENT FUND**

The endowment fund is subject to externally imposed restrictions which requires that the investment be maintained permanently. The Calgary Foundation disburses 5% of the fund value annually to the Society. The fund value fluctuates from year to year.

**12. DESIGNATED FUNDS FOR VIBRANT COMMUNITIES CALGARY**

A portion of the funds from the City of Calgary, Foundations, and the United Way of Calgary and Area was designated for the work of Vibrant Communities Calgary. This corporation, through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$379,592 (2011 - \$417,119) of the funds designated for this project have been spent for work in this area.

**13. COMMUNITY SUPPORT**

In order to raise the \$3,379,324 in community support, the Society spent \$176,400 for the purposes of soliciting contributions. \$116,185 was paid as remuneration to employees whose principal duties involved fundraising. These contributions were used to support the programs of the organization where needed.

**14. COMPARATIVE FIGURES**

Certain prior year figures have been reclassified to agree with current year presentation.