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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2015

Retzlaff & Wong

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1.

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 are comprised of the statement of financial position as at December 31, 2015, statement of operations, statement of changes in net assets and statement of cash flows 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.

Auditors' 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 controls 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 controls. 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.

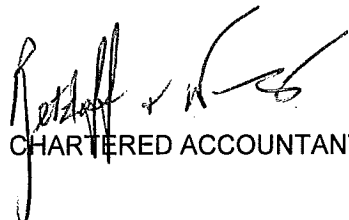
Basis for Opinion

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, 2015 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 4, 2016


CHARTERED ACCOUNTANTS

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT		
Cash and cash equivalents	\$ 4,793,154	\$ 4,060,246
Accounts receivable	287,266	218,932
Participant loans due within one year (Note 4)	134,592	116,171
Prepaid expenses and deposits	<u>89,192</u>	<u>66,662</u>
	5,304,204	4,462,011
Restricted cash and cash equivalents (Note 3)	488,496	550,622
Participant loans less amount due within one year (Note 4)	147,402	107,197
Capital assets (Note 5)	<u>121,765</u>	<u>220,897</u>
	<u>\$ 6,061,867</u>	<u>\$ 5,340,727</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 881,099	\$ 921,792
Deferred revenue	<u>1,741,815</u>	<u>1,230,040</u>
	2,622,914	2,151,832
Deferred contributions related to capital assets (Note 6)	15,000	30,000
Externally restricted funds (Note 7)	<u>770,490</u>	<u>773,990</u>
	<u>3,408,404</u>	<u>2,955,822</u>
Commitments (Note 8)		
Guarantee (Note 9)		
<u>NET ASSETS</u>		
Invested in capital assets	106,765	190,897
Internally restricted (Note 10)	<u>2,546,698</u>	<u>2,194,008</u>
	<u>2,653,463</u>	<u>2,384,905</u>
	<u>\$ 6,061,867</u>	<u>\$ 5,340,727</u>

APPROVED BY:

 Treasurer
 Chairperson

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUES		
Government contracts		
Alberta	\$ 1,621,616	\$ 1,225,659
Canada	158,549	214,593
City of Calgary - FCSS	561,472	561,472
- Other (Note 11)	401,738	-
Community support (Note 12)		
United Way of Calgary and Area (Note 11)	1,893,778	1,569,830
Corporate	509,740	923,105
Foundations (Note 11)	827,313	755,112
Individuals	475,451	519,609
Fees and other revenue	557,985	897,733
Investment	<u>79,780</u>	<u>71,019</u>
	<u>7,087,422</u>	<u>6,738,132</u>
EXPENSES		
Salaries and benefits	3,859,511	4,013,014
Program expenses (Note 11)	1,583,441	1,034,360
Designated for endowment	-	63,124
Designated for loans and savings	226,326	304,276
Facilities	533,561	502,559
Office and general expenses	220,541	182,841
Staff and board development	170,430	174,492
Advertising	<u>92,910</u>	<u>108,125</u>
	<u>6,686,720</u>	<u>6,382,791</u>
Excess of operating revenues over expenses	400,702	355,341
Amortization	<u>(132,144)</u>	<u>(179,445)</u>
Excess of revenues over expenses	<u>\$ 268,558</u>	<u>\$ 175,896</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015**

	<u>Invested in capital assets</u>	(Note 10) <u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Net assets, beginning of year	\$ 190,897	\$ 2,194,008	\$ -	\$ 2,384,905	\$ 2,209,009
Excess of revenues over expenses	(84,132) ¹	-	352,690	268,558	175,896
Internally imposed restrictions	<u>-</u>	<u>352,690</u> ²	<u>(352,690)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 106,765</u>	<u>\$ 2,546,698</u>	<u>\$ -</u>	<u>\$ 2,653,463</u>	<u>\$ 2,384,905</u>

¹Consists of:

Amortization expense	\$(132,144)
Amortization of deferred contributions related to capital assets	15,000
Capital assets purchased with unrestricted contributions	<u>33,012</u>
(Decrease) in net assets invested in capital assets	<u>\$(84,132)</u>

²Consists of:

Transfer of unrestricted net assets to sustainability fund	\$ 182,040
Transfer of unrestricted net assets to capital fund	<u>170,650</u>
Increase in internally restricted funds	<u>\$ 352,690</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 268,558	\$ 175,896
Amortization	132,144	179,445
Amortization of deferred contributions	(15,000)	(15,000)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(68,334)	321,187
Prepaid expenses and deposits	(22,530)	39,988
Accounts payable and accrued liabilities	(40,693)	54,924
Deferred revenue	<u>511,775</u>	<u>304,614</u>
	<u>765,920</u>	<u>1,061,054</u>
INVESTING ACTIVITIES		
Participant loans repayments	140,966	162,099
Participant loans advances	(199,592)	(150,811)
Purchase of capital assets	<u>(33,012)</u>	<u>(52,095)</u>
	<u>(91,638)</u>	<u>(40,807)</u>
FINANCING ACTIVITIES		
(Decrease) in externally restricted contributions	<u>(3,500)</u>	<u>(22,113)</u>
Change in cash	670,782	998,134
Cash, beginning of year	<u>4,610,868</u>	<u>3,612,734</u>
Cash, end of year	<u>\$ 5,281,650</u>	<u>\$ 4,610,868</u>
Cash consists of:		
Cash and cash equivalents	\$ 4,793,154	\$ 4,060,246
Restricted cash and cash equivalents	<u>488,496</u>	<u>550,622</u>
	<u>\$ 5,281,650</u>	<u>\$ 4,610,868</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

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.

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
Computer software	100%

c) Contributed services

Volunteers assist the Society in carrying out certain activities. During the year, volunteers contributed an estimated 1,867 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, 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

The Society's financial instruments consist mainly of cash and cash equivalents, accounts receivable, loans receivable, restricted cash and cash equivalents 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 2016 and June 2020 and are externally restricted. Refer to Note 7 for externally restricted funds.

5. CAPITAL ASSETS

	<u>2015 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 1,056,219	\$ 972,638	\$ 83,581
Computer and office furniture	666,394	628,210	38,184
Computer software	<u>2,537</u>	<u>2,537</u>	<u>-</u>
	<u>\$ 1,725,150</u>	<u>\$ 1,603,385</u>	<u>\$ 121,765</u>

	<u>2014 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 1,056,219	\$ 892,653	\$ 163,566
Computer and office furniture	707,112	649,781	57,331
Computer software	<u>2,537</u>	<u>2,537</u>	<u>-</u>
	<u>\$ 1,765,868</u>	<u>\$ 1,544,971</u>	<u>\$ 220,897</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, 2015**

7. EXTERNALLY RESTRICTED FUNDS

Externally restricted funds represent amounts designated by donors for a specific purpose as noted below:

	<u>2015</u>	<u>2014</u>
Micro Business loan fund	\$ 465,902	\$ 454,492
Bridging loan fund	233,602	232,430
Entrepreneurs with Disabilities loan fund	50,417	66,499
Emergency loan fund	<u>20,569</u>	<u>20,569</u>
	<u>\$ 770,490</u>	<u>\$ 773,990</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 488,496	\$ 550,622
Loans	<u>281,994</u>	<u>223,368</u>
	<u>\$ 770,490</u>	<u>\$ 773,990</u>

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 in April 2017 and require monthly payments of \$11,644 plus operating costs for the first 24 months, monthly payments of \$12,203 plus operating costs 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 \$6,020. The leases expire between September 2017 and September 2019.

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

2016	\$ 174,989
2017	72,437
2018	13,308
2019	9,981

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, 2015. The guarantee expires on June 30, 2016.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

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: Sustainability Fund, Strategic Fund and Capital Fund. 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>2015</u>	<u>2014</u>
Sustainability Fund	\$ 1,883,712	\$ 1,701,672
Strategic Fund	152,986	152,986
Capital Fund	<u>510,000</u>	<u>339,350</u>
	<u>\$ 2,546,698</u>	<u>\$ 2,194,008</u>

11. 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, \$805,503 (2014 - \$311,360) of the funds designated for this project have been spent for work in this area.

12. COMMUNITY SUPPORT

In order to raise the \$3,706,282 in community support, the Society spent \$330,450 on staffing costs, facilities for the staff, general supplies and direct costs for the purposes of soliciting contributions. \$195,319 was paid as remuneration to employees whose principal duties involved fundraising. These contributions were used to support the programs of the organization where needed.