

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Financial Statements

For the Year Ended December 31, 2016

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Momentum Community Economic Development Society:

We have audited the accompanying financial statements of Momentum Community Economic Development Society (the "Society"), which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenses, changes in net assets and 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.

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 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, the financial statements present fairly, in all material respects, the financial position of Momentum Community Economic Development Society as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for year ended December 31, 2015 were audited by another audit firm who expressed an unmodified opinion dated March 4, 2016.

Calgary, Alberta
March 6, 2017


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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Financial Position

As at December 31, 2016

	2016	2015
Assets		
Current		
Cash and cash equivalents	\$ 4,084,837	\$ 3,076,978
Short term investments (Note 3)	398,789	429,955
Accounts receivable	171,737	248,830
Participant loans due within one year (Note 4)	148,001	134,592
Goods and services tax recoverable	45,898	38,437
Prepaid expenses	93,788	89,192
	<u>4,943,050</u>	4,017,984
Participant loans less amounts due within one year (Note 4)	145,411	147,402
Restricted cash and cash equivalents (Note 5)	474,614	488,497
Capital assets (Note 6)	161,159	121,765
Long term Investments (Note 7)	1,053,106	1,286,220
	<u>\$ 6,777,340</u>	<u>\$ 6,061,868</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 902,917	\$ 881,099
Deferred contributions	2,177,526	1,741,815
Deferred contributions related to capital assets (Note 8)	-	15,000
Externally restricted funds (Note 9)	768,026	770,491
	<u>3,848,469</u>	<u>3,408,405</u>
Net Assets		
Invested in capital assets	161,159	106,765
Internally restricted (Note 11)	2,767,712	2,546,698
	<u>2,928,871</u>	<u>2,653,463</u>
	<u>\$ 6,777,340</u>	<u>\$ 6,061,868</u>

Commitments (Note 10)

On behalf of the Board



Director



Director

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Statement of Revenue and Expenses
For the Year Ended December 31, 2016

	2016	2015
Revenue		
Government contracts:		
Alberta	\$ 1,522,771	\$ 1,621,616
Canada	150,866	158,549
City of Calgary - FCSS	899,481	561,472
City of Calgary - Other	443,774	401,738
	<u>3,016,892</u>	<u>2,743,375</u>
Community support: <i>(Note 13)</i>		
United Way of Calgary and Area	2,058,459	1,893,778
Corporate	594,629	509,740
Foundations	1,417,444	827,313
Individuals	542,160	475,452
	<u>4,612,692</u>	<u>3,706,283</u>
Fees and other revenue	388,261	557,985
Investment income	69,263	79,780
	<u>8,087,108</u>	<u>7,087,423</u>
Expenses		
Salaries and wages	4,229,088	3,859,511
Program expenses	2,096,951	1,604,154
Facilities	546,533	533,561
Designated for loans and savings	258,551	226,326
Office and general expenses	232,713	201,655
Staff and board development	203,516	160,170
Amortization	151,188	132,144
Advertising	93,160	101,344
	<u>7,811,700</u>	<u>6,818,865</u>
Excess of revenue over expenses	<u>\$ 275,408</u>	<u>\$ 268,558</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Changes in Net Assets

For the Year Ended December 31, 2016

	Invested in capital assets		2016		2015	
	Internally restricted	Unrestricted	December 31	December 31	December 31	December 31
Net assets - beginning of year	\$ 106,765	\$ 2,546,698	\$ 2,653,463	\$ 2,384,905		
Excess of revenue over expenses	-	-	275,408	268,558		
Capital assets purchased	190,582	-	(190,582)	-		
Amortization of deferred contributions related to capital assets	15,000	-	(15,000)	-		
Amortization expense	(151,188)	-	151,188	-		
Transfers (Note 11)	-	221,014	(221,014)	-		
Net assets - end of year	\$ 161,159	\$ 2,767,712	\$ 2,928,871	\$ 2,653,463		

See notes to financial statements

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**Statement of Cash Flows****Year Ended December 31, 2016**

	2016	2015
Operating activities		
Excess of revenue over expenses	\$ 275,408	\$ 268,558
Items not affecting cash:		
Amortization of capital assets	151,188	132,144
Amortization of deferred contributions related to capital assets	(15,000)	(15,000)
	<u>411,596</u>	<u>385,702</u>
Changes in non-cash working capital:		
Accounts receivable	76,093	(91,667)
Goods and services tax receivable	(6,461)	23,333
Prepaid expenses	(4,596)	(22,530)
Accounts payable and accrued liabilities	21,818	(40,693)
Deferred contributions	435,711	511,775
	<u>522,565</u>	<u>380,218</u>
Cash flows from operating activities	<u>934,161</u>	<u>765,920</u>
Investing activities		
Purchase of capital assets	(190,582)	(33,012)
Participant loans, advances and repayments-net	(11,419)	(58,626)
Long term investments	233,114	(114,325)
Short term investments	31,166	276,383
	<u>62,279</u>	<u>70,420</u>
Cash flows from investing activities	<u>62,279</u>	<u>70,420</u>
Financing activity		
Changes in externally restricted contributions	(2,464)	(3,500)
	<u>(2,464)</u>	<u>(3,500)</u>
Cash flows used by financing activity	<u>(2,464)</u>	<u>(3,500)</u>
Increase in cash flows	993,976	832,840
Cash and cash equivalents - beginning of year	<u>3,565,475</u>	<u>2,732,635</u>
Cash and cash equivalents - end of year	<u>4,559,451</u>	<u>3,565,475</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 4,084,837	\$ 3,076,978
Restricted cash and cash equivalents	474,614	488,497
	<u>\$ 4,559,451</u>	<u>\$ 3,565,475</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2016

Purpose of the Organization

Momentum Community Economic Development Society ("the Society"), is an organization that partners with people living on low incomes to increase prosperity and inspire the development of local economies with opportunities for all. To advance this mission, revenue is realized through government contracts, corporate funding, private donations and fees for service activities. 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 of Canada.

1. Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

2. Summary of significant accounting policies

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in Guaranteed Investment Certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2016

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Acquisitions with cost under \$1,000 are expensed in the year of acquisition. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	3 years	straight-line method
Computer software	1 year	straight-line method
Leasehold improvements	Over lease term	straight-line method

The Society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed capital assets are recorded at fair value at the date of contribution. Contributions received are deferred and amortized over the useful life of the asset.

Contributed services

The operations of the Society depend on the contribution of time by volunteers. The fair value of these services cannot be reasonably determined and are therefore not reflected in these financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments which are actively traded are reported at fair value, with any unrealized gains and losses reported in income. All other financial assets and liabilities are reported at amortized cost. The Society's financial instruments consist mainly of cash and cash equivalents, accounts receivable, short term investments, loans receivable, restricted cash and cash equivalents, long term investments 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 risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying value.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates included in the financial statements are the estimated useful lives of capital assets, accrued liabilities, assessment of recoverability of participant loans, assessment of recoverability of accounts receivable and amortization of deferred contributions.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2016

3. Short term investments

Short term investments comprise of Guaranteed Investment Certificate ("GICs"), mutual funds and other investments with a maturity date of less than one year. These investments carry an interest rate of 1.1% to 1.4%.

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 2017 and June 2020 and are externally restricted. Refer to note 9 for externally restricted funds.

5. Restricted cash and cash equivalents

Cash and cash equivalents have been set aside to meet certain externally restricted obligations. Refer to note 9 for externally restricted funds.

6. Capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Equipment	\$ 698,124	\$ (667,642)	\$ 30,482	\$ 38,184
Computer software	2,537	(2,537)	-	-
Leasehold improvements	1,215,070	(1,084,393)	130,677	83,581
	<u>\$ 1,915,731</u>	<u>\$ (1,754,572)</u>	<u>\$ 161,159</u>	<u>\$ 121,765</u>

7. Long term investments

Long term investments comprise of GICs with a maturity date greater than one year. The GICs carry interest rates from 1.25% to 2.90% and will mature between February 2018 and April 2021.

8. Deferred contributions related to capital assets

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

	2016	2015
Opening balance	\$ 15,000	\$ 30,000
Amortized to revenue	(15,000)	(15,000)
Closing balance	<u>\$ -</u>	<u>\$ 15,000</u>

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Notes to Financial Statements

Year Ended December 31, 2016

9. Externally restricted funds

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

	2016	2015
Micro-business loan fund	\$ 477,998	\$ 465,903
Bridging loan fund	226,963	233,602
Entrepreneurs with disabilities loan fund	42,496	50,417
Emergency loan fund	20,569	20,569
	768,026	770,491

The externally restricted funds have been allocated as follows:

Restricted cash	474,614	488,496
Loans	293,412	281,995
	\$ 768,026	\$ 770,491

10. Commitments

The Society has operating leases for rental of its office premises. The lease agreements expire in April 2021 and require monthly payments of \$13,403 plus operating costs for the first 12 months starting on May 1, 2017, monthly payments of \$14,622 plus operating costs for the next 24 months and monthly payments of \$15,840 plus operating costs for the remaining 12 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.

Total minimum payments related to the above commitments for the following five years are as follows :

2017	\$ 184,065
2018	183,898
2019	185,445
2020	185,212
2021	63,362
	\$ 801,982

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Notes to Financial Statements

Year Ended December 31, 2016

11. Internally restricted net assets

In 2010 the Society made a decision to restrict a certain amount of funds from unrestricted net assets as well as any surpluses that might be achieved in a given year. The Society has created these funds to address future requirements: Sustainability Fund, Strategic Fund and Capital fund. The Sustainability fund is set up to bridge the gaps in program funding and has a target goal of 25% of the upcoming year's budget. The Strategic fund is set up to allow the Society to be proactive and seize new opportunities when they arise. The Capital fund is created to fund the upcoming capital requirements of the Society.

	<u>2016</u>	<u>2015</u>
Sustainability fund	\$ 2,104,726	\$ 1,883,712
Strategic Fund	152,986	152,986
Capital Fund	<u>510,000</u>	<u>510,000</u>
	<u>\$ 2,767,712</u>	<u>\$ 2,546,698</u>

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. The corporation, through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$1,048,891 (2015- \$ 805,503) of the funds designated for this project have been spent for work in this area.

13. Community support

In order to raise the \$4,612,692 (2015 - \$3,706,283) in community support, the Society spent \$335,572 (2015 - \$330,450) on staffing costs, facilities for the staff, general supplies and direct costs for the purposes of soliciting contributions. \$209,759 (2015 - \$195,319) was paid as remuneration to the employees whose principal duties involved fundraising. These contributions were used to support the programs of the Society where needed.

14. Financial instruments

The Society is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2016.

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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2016

14. Financial instruments *(continued)*

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The following financial instruments bear interest rate risk as they are subject to variable interest rates:

- Micro-business loans at Prime +2%

In seeking to minimize this risk, the Society manages exposure through investing in a combination of fixed and variable interest rate products. As of December 31, 2016 the proportion of fixed interest rate financial assets to variable interest rate financial assets is 93 : 7.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. One of the core activities of the Society is to provide loans to low income clients. These receivables are exposed to significant credit risk. The loans are of small individual value and have been given to large number of clients which minimizes the credit concentration. In order to reduce the credit risk the Society monitors the collection of loans on continuous basis and recognizes an allowance for any non-performing loans.

The other areas subject to credit risk are:

- Accounts receivable
- Cash and cash equivalents
- Short term investments
- Long term investments

Accounts receivable are amounts recoverable from funders. Management considers risk related to these balances as low.

For all other financial assets, management reduces the credit risk by using credit worthy banks and other financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Given the Society is well funded, management considers this risk to be low.

In management's opinion the Society is not exposed to significant other price risks arising from these financial instruments.

15. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
