

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2010

Retzlaff & Wong

Chartered Accountants

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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 revenues and expenses, statement of changes in net assets and statement of cash flows for the year ended December 31, 2010, 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 generally accepted accounting principles, 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 is 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, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


CALGARY, ALBERTA
February 24, 2011

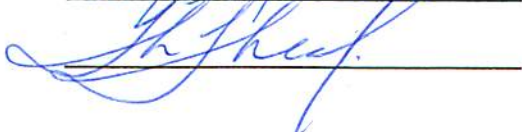

CHARTERED ACCOUNTANTS

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	<u>2010</u>	<u>(Note 15)</u> <u>2009</u>
<u>ASSETS</u>		
CURRENT		
Cash and cash equivalents	\$ 3,028,733	\$ 2,606,630
Accounts receivable	197,136	210,208
Participant loans due within one year (Note 4)	458,051	410,873
Prepaid expenses and deposits	<u>46,382</u>	<u>32,072</u>
	3,730,302	3,259,783
Restricted cash and cash equivalents (Note 3)	462,626	415,070
Participant loans less amount due within one year (Note 4)	413,065	463,156
Endowment funds	147,928	144,520
Capital assets (Note 5)	<u>138,007</u>	<u>173,172</u>
	<u>\$ 4,891,928</u>	<u>\$ 4,455,701</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 778,143	\$ 751,525
Deferred revenue	<u>821,122</u>	<u>669,632</u>
	1,599,265	1,421,157
Deferred contributions related to capital assets (Note 6)	-	1,000
Externally restricted funds (Note 7)	<u>1,333,742</u>	<u>1,289,099</u>
	<u>2,933,007</u>	<u>2,711,256</u>
Commitments (Note 8)		
Guarantee (Note 9)		
<u>NET ASSETS</u>		
Invested in capital assets (Note 10)	138,007	172,172
Internally restricted (Note 11)	1,672,986	1,200,000
Restricted for endowment purposes (Note 12)	147,928	144,520
Unrestricted (Note 11)	<u>-</u>	<u>227,753</u>
	<u>1,958,921</u>	<u>1,744,445</u>
	<u>\$ 4,891,928</u>	<u>\$ 4,455,701</u>

APPROVED BY:


 _____ Treasurer


 _____ Chairperson

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2010**

	2010	(Note 15) 2009
REVENUES		
Government contracts		
Alberta	\$ 1,093,744	\$ 1,274,802
Canada	333,796	332,996
City of Calgary	327,972	230,972
Community support (Note 13)		
United Way of Calgary and Area (Note 14)	1,775,458	1,598,790
Corporate	506,299	581,800
Foundations (Note 14)	733,213	655,789
Individuals	242,538	156,273
Fees and other revenue	163,982	184,867
Investment	65,037	85,618
	5,242,039	5,101,907
EXPENSES		
Salaries and benefits	2,576,607	2,504,839
Program expenses (Note 14)	1,343,869	1,318,200
Designated for loans and savings	355,759	357,648
Facilities	260,156	243,665
Office and general expenses	185,877	196,363
Staff and board development	140,704	112,365
Advertising	82,667	126,970
	4,945,639	4,860,050
Excess of operating revenues over expenses	296,400	241,857
Gain on investments in endowment fund	11,719	25,783
Amortization	(93,643)	(136,114)
Excess of revenues over expenses	\$ 214,476	\$ 131,526

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010**

	<u>Invested in capital assets</u>	<u>Endowment Funds</u>	<u>(Note 11) Internally Restricted</u>	<u>(Note 11) Unrestricted</u>	<u>2010 Total</u>	<u>(Note 15) 2009 Total</u>
Net assets, beginning of year	\$ 172,172	\$ 144,520	\$1,200,000	\$ 227,753	\$ 1,744,445	\$ 1,612,919
Changes in endowment funds	-	3,408	-	(3,408)	-	-
Excess (deficiency) of revenues over expenses	(92,643) ¹	-	-	307,119	214,476	131,526
Investment in capital assets	58,478 ²	-	-	(58,478)	-	-
Internally imposed restrictions	<u>-</u>	<u>-</u>	<u>472,986</u>	<u>(472,986)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 138,007</u>	<u>\$ 147,928</u>	<u>\$1,672,986</u>	<u>\$ -</u>	<u>\$1,958,921</u>	<u>\$1,744,445</u>

¹Consists of:

Amortization expense	\$(93,643)
Amortization of deferred contributions related to capital assets	<u>1,000</u>
Reduction in net assets invested in capital assets	<u>\$(92,643)</u>

²Consists of:

Purchase of capital assets from unrestricted resources	<u>\$ 58,478</u>
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**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

	2010	(Note 15) 2009
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 214,476	\$ 131,526
Amortization	93,643	136,114
Gain on endowment fund	(11,719)	(25,783)
Amortization of deferred contributions	(1,000)	(39,333)
Net change in non-cash working capital balances related to operations		
Accounts receivable	13,072	181,913
Prepaid expenses and deposits	(14,310)	(8,967)
Changes in endowment funds	8,311	7,772
Accounts payable and accrued liabilities	26,618	97,508
Deferred revenue	<u>151,490</u>	<u>(100,794)</u>
	<u>480,581</u>	<u>379,956</u>
INVESTING ACTIVITIES		
Participant loans repayments	533,513	438,261
Participant loans advances	(530,600)	(597,255)
Purchase of capital assets	<u>(58,478)</u>	<u>(164,537)</u>
	<u>(55,565)</u>	<u>(323,531)</u>
FINANCING ACTIVITIES		
Increase in externally restricted contributions	<u>44,643</u>	<u>149,047</u>
Change in cash	469,659	205,472
Cash, beginning of year	<u>3,021,700</u>	<u>2,816,228</u>
Cash, end of year	<u>\$ 3,491,359</u>	<u>\$ 3,021,700</u>
Cash consists of:		
Cash and cash equivalents	\$ 3,028,733	\$ 2,606,630
Restricted cash and cash equivalents	<u>462,626</u>	<u>415,070</u>
	<u>\$ 3,491,359</u>	<u>\$ 3,021,700</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

1. PURPOSE OF THE ORGANIZATION

Momentum Community Economic Development Society, hereafter referred to as "The Society", is an organization which partners with the underemployed to develop their productive futures with revenue 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 generally accepted accounting principles. 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 1,600 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 generally accepted accounting principles 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, 2010**

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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.

f) Future Accounting Policies

The Canadian Accounting Standards Board (AcSB) has developed a new set of accounting standards for not-for-profit organizations as Part III of the CICA Handbook – Accounting, effective January 1, 2012. Not-for-profit organizations are provided a free choice of adopting the new standards for not-for-profit organizations or the International Financial Reporting Standards (IFRS) for annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Society has decided to early adopt the new standards for not-for-profit organizations in the 2011 fiscal year as permitted by AcSB.

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 2011 and June 2014 and are externally restricted. Refer to Note 7 for externally restricted funds.

5. CAPITAL ASSETS

	<u>2010 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 675,372	\$ 584,670	\$ 90,702
Computer and office furniture	<u>745,903</u>	<u>698,598</u>	<u>47,305</u>
	<u>\$ 1,421,275</u>	<u>\$ 1,283,268</u>	<u>\$ 138,007</u>
	<u>2009 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 652,592	\$ 550,693	\$ 101,899
Computer and office furniture	<u>710,204</u>	<u>638,931</u>	<u>71,273</u>
	<u>\$ 1,362,796</u>	<u>\$ 1,189,624</u>	<u>\$ 173,172</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the value of capital assets contributed to the Society by funders. These deferred contributions are recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

7. EXTERNALLY RESTRICTED FUNDS

	<u>2010</u>	<u>2009</u>
Micro Business loan fund	\$ 372,151	\$ 324,125
Rent Bank loan fund	227,422	238,497
Entrepreneurs with Disabilities loan fund	104,384	119,879
Emergency loan fund	20,224	20,898
Immigrant Access loan fund	<u>609,561</u>	<u>585,700</u>
	<u>\$ 1,333,742</u>	<u>\$ 1,289,099</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 462,626	\$ 415,070
Loans	<u>871,116</u>	<u>874,029</u>
	<u>\$ 1,333,742</u>	<u>\$ 1,289,099</u>

8. COMMITMENTS

The Society has two seventy-four month operating leases for rental of its office premises. The lease agreements expire June 2013 and require monthly payments of \$10,093 plus operating costs for the first 60 months and monthly payments of \$11,871 plus operating costs for the remaining fourteen months.

The Society has entered into an equipment lease agreement which requires quarterly payments of \$1,705. The lease expires in September 2012.

The Society has entered into another equipment lease agreement which requires quarterly payments of \$1,959. The lease expires in March 2014.

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

2011	\$ 135,766
2012	148,289
2013	79,062
2014	1,959

The Society has entered into an agreement for reviewing the Society's technology information system. The total cost for the contract is \$43,000. As of December 31, 2010, \$32,000 has been paid towards the total cost.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

9. GUARANTEE

The Society has a \$169,000 letter of guarantee in favour of the Minister of Alberta Employment and Immigration outstanding as of December 31, 2010. The guarantee expires on June 30, 2011.

10. INVESTED IN CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Capital assets	\$ 138,007	\$ 173,172
Deferred contributions related to capital assets	<u>-</u>	<u>(1,000)</u>
	<u>\$ 138,007</u>	<u>\$ 172,172</u>

11. 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 opportunities.. The Capital fund is created to fund the upcoming capital requirements of the Society.

	<u>2010</u>	<u>2009</u>
Sustainability Fund	\$ 1,270,000	\$ 1,200,000
Strategic Fund	152,986	-
Capital Fund	<u>250,000</u>	<u>-</u>
	<u>\$ 1,672,986</u>	<u>\$ 1,200,000</u>

12. 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.

13. COMMUNITY SUPPORT

In order to raise the \$3,257,508 in community support, the Society spent \$129,575 for the purposes of soliciting contributions. \$45,259 was paid as remuneration to employees whose principal duties involved fundraising. These contributions were used to support the programs of the organization where needed.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

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14. VIBRANT COMMUNITIES CALGARY

The Society, together with the United Way of Calgary and Area, founded Vibrant Communities Calgary Ltd., an independent corporation. This corporation, through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$316,578 (2009 - \$370,236) of the funds designated for this project have been spent for work in this area.

15. COMPARATIVE FIGURES

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