

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 operations, statement of changes in net assets and statement of cash flows for the year ended December 31, 2011, 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 are free from material misstatement.

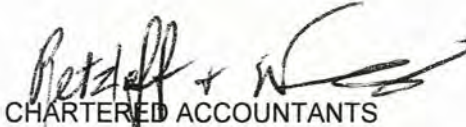
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CALGARY, ALBERTA
March 1, 2012


CHARTERED ACCOUNTANTS

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 2,809,957 | \$ 3,028,733 |
| Accounts receivable | 439,612 | 197,136 |
| Participant loans due within one year (Note 4) | 148,549 | 458,051 |
| Prepaid expenses and deposits | <u>41,365</u> | <u>46,382</u> |
| | 3,439,483 | 3,730,302 |
| Restricted cash and cash equivalents (Note 3) | 465,518 | 462,626 |
| Participant loans less amount due within one year (Note 4) | 118,224 | 413,065 |
| Endowment funds | 137,396 | 147,928 |
| Capital assets (Note 5) | <u>104,467</u> | <u>138,007</u> |
| | <u>\$ 4,265,088</u> | <u>\$ 4,891,928</u> |

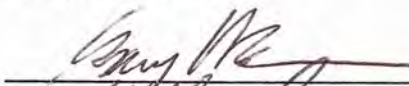
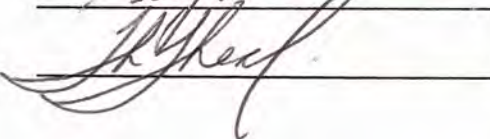
LIABILITIES

| | | |
|--|------------------|------------------|
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 755,371 | \$ 778,143 |
| Deferred revenue | <u>793,253</u> | <u>821,122</u> |
| | 1,548,624 | 1,599,265 |
| Externally restricted funds (Note 6) | <u>732,291</u> | <u>1,333,742</u> |
| | <u>2,280,915</u> | <u>2,933,007</u> |
| Commitments (Note 7) | | |
| Guarantee (Note 8) | | |

NET ASSETS

| | | |
|---|---------------------|---------------------|
| Invested in capital assets | 104,467 | 138,007 |
| Internally restricted (Note 9) | 1,742,310 | 1,672,986 |
| Restricted for endowment purposes (Note 10) | <u>137,396</u> | <u>147,928</u> |
| | <u>1,984,173</u> | <u>1,958,921</u> |
| | <u>\$ 4,265,088</u> | <u>\$ 4,891,928</u> |

APPROVED BY:


 _____ Treasurer

 _____ Chairperson

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

| | 2011 | (Note 13) 2010 |
|--|------------------|-------------------|
| REVENUES | | |
| Government contracts | | |
| Alberta | \$ 1,111,034 | \$ 1,093,744 |
| Canada | 417,788 | 333,796 |
| City of Calgary (Note 12) | 336,297 | 327,972 |
| Community support (Note 11) | | |
| United Way of Calgary and Area (Note 12) | 1,473,772 | 1,725,458 |
| Corporate | 521,805 | 506,299 |
| Foundations (Note 12) | 1,079,860 | 783,213 |
| Individuals | 343,555 | 242,538 |
| Fees and other revenue | 146,001 | 163,982 |
| Investment | 105,101 | 65,037 |
| | <u>5,535,213</u> | <u>5,242,039</u> |
| EXPENSES | | |
| Salaries and benefits | 2,885,015 | 2,576,607 |
| Program expenses (Note 12) | 1,481,716 | 1,343,869 |
| Designated for loans and savings | 315,754 | 355,759 |
| Facilities | 261,963 | 260,156 |
| Office and general expenses | 214,954 | 185,877 |
| Staff and board development | 166,788 | 140,704 |
| Advertising | 99,988 | 82,667 |
| | <u>5,426,178</u> | <u>4,945,639</u> |
| Excess of operating revenues over expenses | 109,035 | 296,400 |
| (Loss) gain on investments in endowment fund | (355) | 11,719 |
| Amortization | (83,428) | (93,643) |
| Excess of revenues over expenses | \$ 25,252 | \$ 214,476 |

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

| | <u>Invested in capital assets</u> | <u>Endowment Funds</u> | <u>(Note 9) Internally Restricted</u> | <u>Unrestricted</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|--|---------------------------------------|----------------------------|---|---------------------|-----------------------|-----------------------|
| Net assets, beginning of year | \$ 138,007 | \$ 147,928 | \$1,672,986 | \$ - | \$ 1,958,921 | \$ 1,744,445 |
| Changes in endowment funds | - | (10,532) | - | 10,532 | - | - |
| Excess (deficiency) of revenues over expenses | (33,540) ¹ | - | (49,888) | 108,680 | 25,252 | 214,476 |
| Internally imposed restrictions | - | - | 119,212 | (119,212) | - | - |
| Net assets, end of year | <u>\$ 104,467</u> | <u>\$ 137,396</u> | <u>\$1,742,310</u> | <u>\$ -</u> | <u>\$1,984,173</u> | <u>\$1,958,921</u> |

¹Consists of:

| | |
|---|--------------------|
| Amortization expense | \$(83,428) |
| Capital assets purchased with internally restricted contributions | <u>49,888</u> |
| Reduction in net assets invested in capital assets | <u>\$(33,540)</u> |

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| CASH FLOWS PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 25,252 | \$ 214,476 |
| Amortization | 83,428 | 93,643 |
| Loss (gain) on endowment fund | 355 | (11,719) |
| Amortization of deferred contributions | - | (1,000) |
| Net change in non-cash working capital balances related to operations | | |
| Accounts receivable | (242,476) | 13,072 |
| Prepaid expenses and deposits | 5,017 | (14,310) |
| Changes in endowment funds | 10,177 | 8,311 |
| Accounts payable and accrued liabilities | (22,772) | 26,618 |
| Deferred revenue | <u>(27,869)</u> | <u>151,490</u> |
| | <u>(168,888)</u> | <u>480,581</u> |
| INVESTING ACTIVITIES | | |
| Participant loans repayments | 1,472,127 | 533,513 |
| Participant loans advances | (867,784) | (530,600) |
| Purchase of capital assets | <u>(49,888)</u> | <u>(58,478)</u> |
| | <u>554,455</u> | <u>(55,565)</u> |
| FINANCING ACTIVITIES | | |
| (Decrease) increase in externally restricted contributions | <u>(601,451)</u> | <u>44,643</u> |
| Change in cash | (215,884) | 469,659 |
| Cash, beginning of year | <u>3,491,359</u> | <u>3,021,700</u> |
| Cash, end of year | <u>\$ 3,275,475</u> | <u>\$ 3,491,359</u> |
| Cash consists of: | | |
| Cash and cash equivalents | \$ 2,809,957 | \$ 3,028,733 |
| Restricted cash and cash equivalents | <u>465,518</u> | <u>462,626</u> |
| | <u>\$ 3,275,475</u> | <u>\$ 3,491,359</u> |

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

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 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, 2011

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 6 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 2012 and February 2017 and are externally restricted. Refer to Note 6 for externally restricted funds.

5. CAPITAL ASSETS

| | <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> |

| | <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> |

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

6. EXTERNALLY RESTRICTED FUNDS

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|---------------------|
| Micro Business loan fund | \$ 396,806 | \$ 372,151 |
| Rent Bank loan fund | 227,161 | 227,422 |
| Entrepreneurs with Disabilities loan fund | 87,915 | 104,384 |
| Emergency loan fund | 20,409 | 20,224 |
| Immigrant Access loan fund | <u>-</u> | <u>609,561</u> |
| | <u>\$ 732,291</u> | <u>\$ 1,333,742</u> |

The externally restricted funds have been allocated as follows:

| | | |
|-----------------|-------------------|---------------------|
| Restricted cash | \$ 465,518 | \$ 462,626 |
| Loans | <u>266,773</u> | <u>871,116</u> |
| | <u>\$ 732,291</u> | <u>\$ 1,333,742</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.

7. 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 Society has entered into another equipment lease agreement which requires monthly payment of \$279. The lease expires in May 2014.

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

| | |
|------|------------|
| 2012 | \$ 151,640 |
| 2013 | 82,414 |
| 2014 | 3,356 |

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

8. GUARANTEE

The Society has a \$169,000 letter of guarantee in favour of the Minister of Alberta Human Services outstanding as of December 31, 2011. The guarantee expires on June 30, 2012.

9. 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 arrived. The Capital fund is created to fund the upcoming capital requirements of the Society.

| | <u>2011</u> | <u>2010</u> |
|---------------------|---------------------|---------------------|
| Sustainability Fund | \$ 1,304,324 | \$ 1,270,000 |
| Strategic Fund | 152,986 | 152,986 |
| Capital Fund | <u>285,000</u> | <u>250,000</u> |
| | <u>\$ 1,742,310</u> | <u>\$ 1,672,986</u> |

10. 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.

11. COMMUNITY SUPPORT

In order to raise the \$3,418,992 in community support, the Society spent \$135,433 for the purposes of soliciting contributions. \$66,230 was paid as remuneration to employees whose principal duties involved fundraising. These contributions were used to support the programs of the organization where needed.

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 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, \$417,119 (2010 - \$316,578) of the funds designated for this project have been spent for work in this area.

13. COMPARATIVE FIGURES

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