

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Retzlaff & Wong

Chartered Accountants

#102, 1112 - 40 Avenue N.E.
Calgary, Alberta T2E 5T8 Canada

Bus: (403) 250-7996
Fax: (403) 250-7290

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AUDITORS' REPORT

To the Board of
MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

We have audited the statement of financial position of MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY as at December 31, 2007 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Society derives a portion of its revenues in the form of donations, the completeness of which is not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustment might be necessary to revenues, excess of revenues over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations, as described in the above paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

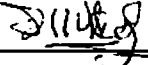
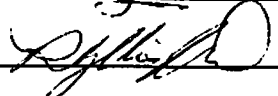
CALGARY, ALBERTA
February 7, 2008


CHARTERED ACCOUNTANTS

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

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT		
Cash and short term investments	\$ 2,160,767	\$ 1,946,585
Accounts receivable	272,419	150,019
Loans due within one year (Note 4)	213,259	200,168
Prepaid expenses and deposits	41,489	6,953
Restricted cash and short term investments (Note 3)	2,687,934	2,303,725
Loans less amount due within one year (Note 4)	348,038	230,093
Endowment funds	378,993	371,167
Capital assets (Note 5)	160,741	171,057
	\$ 3,745,413	\$ 3,295,509
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 701,691	\$ 509,144
Deferred revenue	607,263	676,769
Deferred contributions related to capital assets (Note 6)	1,308,954	1,185,913
Externally restricted funds (Note 7)	110,229	137,226
	940,256	801,427
	2,359,439	2,124,566
Commitments (Note 8)		
<u>NET ASSETS</u>		
Invested in capital assets (Note 9)	59,478	82,241
Internally restricted (Note 10)	1,125,000	916,000
Restricted for endowment purposes (Note 11)	160,741	171,057
Unrestricted	40,755	1,645
	1,385,974	1,170,943
	\$ 3,745,413	\$ 3,295,509

APPROVED BY:


 _____ Treasurer

 _____ Chairperson

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

	<u>2007</u>	<u>2006</u>
REVENUES		
Government contracts		
Alberta	\$ 1,033,686	\$ 754,884
Canada	418,186	429,409
City of Calgary	206,078	122,135
Community support (Note 12)		
United Way of Calgary and Area	1,012,120	841,439
Corporate	421,616	493,367
Foundations	271,000	281,649
Individuals	244,759	161,579
Designated for Vibrant Communities (Note 13)	412,917	220,628
Fees and other revenue	263,345	203,081
Investment	<u>125,238</u>	<u>97,491</u>
	<u>4,408,945</u>	<u>3,605,662</u>
EXPENSES		
Salaries and benefits	2,043,515	1,831,893
Program expenses	815,652	650,530
Designated for loans and savings	202,371	191,437
Designated for Vibrant Communities (Note 13)	412,917	220,628
Facilities	175,359	126,507
Office and general expenses	140,007	129,741
Staff and board development	114,206	83,239
Advertising	<u>76,383</u>	<u>91,506</u>
	<u>3,980,410</u>	<u>3,325,481</u>
Excess of operating revenues over expenses	428,535	280,181
Amortization	<u>203,188</u>	<u>170,184</u>
Excess of revenues over expenses (Note 10)	<u>\$ 225,347</u>	<u>\$ 109,997</u>

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

	<u>Invested in capital assets</u>	<u>Endowment Funds</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
Net assets, beginning of year	\$ 82,241	\$ 171,057	\$ 916,000	\$ 1,645	\$ 1,170,943	\$ 949,726
Endowment contributions	-	-	-	-	-	111,220
Excess (deficiency) of revenues over expenses	(106,191) ¹	(10,316)	-	331,538	225,347	109,997
Investment in capital assets	83,428 ²	-	-	(83,428)	-	-
Internally imposed restrictions (Note 10)	<u>-</u>	<u>-</u>	<u>209,000</u>	<u>(209,000)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 59,478</u>	<u>\$ 160,741</u>	<u>\$ 1,125,000</u>	<u>\$ 40,755</u>	<u>\$ 1,396,290</u>	<u>\$ 1,170,943</u>

¹Consists of:

Amortization expense	\$ 203,188
Amortization of deferred contributions related to capital assets	(96,997)
Capital assets purchased with restricted contributions	(70,000)
Deferred contributions related to capital assets	<u>70,000</u>
Reduction in net assets invested in capital assets	<u>\$ 106,191</u>

²Consists of:

Purchase of capital assets from unrestricted resources	<u>\$ 83,428</u>
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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31

	<u>2007</u>	<u>2006</u>
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 225,347	\$ 109,997
Amortization	203,188	170,184
Amortization of deferred contributions	(96,997)	(73,664)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(122,400)	159,708
Prepaid expenses and deposits	(34,536)	(36)
Accounts payable and accrued liabilities	192,547	22,852
Deferred revenue	(69,506)	39,923
	<u>297,643</u>	<u>428,964</u>
INVESTING ACTIVITIES		
Loan repayments, net	(20,917)	(104,840)
Purchase of capital assets	(153,428)	(105,722)
	<u>(174,345)</u>	<u>(210,562)</u>
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	70,000	51,688
Increase (decrease) in externally restricted contributions	<u>138,829</u>	<u>(49,877)</u>
	<u>208,829</u>	<u>1,811</u>
Change in cash	332,127	220,213
Cash, beginning of year	<u>2,176,678</u>	<u>1,956,465</u>
Cash, end of year	<u>\$ 2,508,805</u>	<u>\$ 2,176,678</u>
Cash consists of:		
Cash and short term investments	\$ 2,160,767	\$ 1,946,585
Restricted cash and short term investments	<u>348,038</u>	<u>230,093</u>
	<u>\$ 2,508,805</u>	<u>\$ 2,176,678</u>

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

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 will be 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 equipment	3 years

c) Contributed services

Volunteers assist the Society in carrying out certain activities. During the year, volunteers contributed an estimated 1,700 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 are 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, 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Financial instruments

The Society's financial instruments consist mainly of cash and short term investments, accounts receivable, loans receivable, endowment funds 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 SHORT TERM INVESTMENTS

Cash and short term investments have been set aside to meet certain externally restricted obligations. Refer to Note 7.

4. LOANS

Loans to qualified program participants are repayable on a monthly basis with interest at prime plus 1 1/2% to prime plus 2%. The loans mature between January 2008 and June 2012 and are externally restricted. Refer to Note 7.

5. CAPITAL ASSETS

	<u>2007 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 518,406	\$ 481,919	\$ 36,487
Computer and equipment	<u>566,905</u>	<u>433,685</u>	<u>133,220</u>
	<u>\$ 1,085,311</u>	<u>\$ 915,604</u>	<u>\$ 169,707</u>
	<u>2006 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 518,406	\$ 382,945	\$ 135,461
Computer and equipment	<u>413,477</u>	<u>329,471</u>	<u>84,006</u>
	<u>\$ 931,883</u>	<u>\$ 712,416</u>	<u>\$ 219,467</u>

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.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

7. EXTERNALLY RESTRICTED FUNDS

	<u>2007</u>	<u>2006</u>
Micro Business loan fund	\$ 197,330	\$ 189,831
Rent Bank loan fund	317,898	344,943
Entrepreneurs with Disabilities loan fund	147,805	205,426
Emergency loan fund	24,321	11,110
Immigrant Access fund	<u>252,902</u>	<u>50,117</u>
	<u>\$ 940,256</u>	<u>\$ 801,427</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 348,038	\$ 230,092
Loans	<u>592,252</u>	<u>571,335</u>
	<u>\$ 940,290</u>	<u>\$ 801,427</u>

8. COMMITMENTS

The Society has entered into operating leases for rental of its office premises. The lease agreements expire April 2012 and require monthly payments of \$8,893 plus operating costs.

9. INVESTED IN CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
Capital assets	\$ 169,707	\$ 219,467
Deferred contributions related to capital assets	<u>(110,229)</u>	<u>(137,226)</u>
	<u>\$ 59,478</u>	<u>\$ 82,241</u>

10. INTERNALLY RESTRICTED

The Society's Board of Directors has a policy to restrict up to 25% of the upcoming year's budget in a Sustainability fund. In 2007, \$209,000 has been allocated to this fund from the surplus. The Sustainability fund now stands at \$1,125,000.

**MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

11. ENDOWMENT FUND

The endowment fund is subject to externally imposed restrictions which requires that the investment be maintained permanently. 5% of the principal are disbursed by The Calgary Foundation to the Society and is recognized in revenue. The remainder value will fluctuate from one year to another.

12. COMMUNITY SUPPORT

In order to raise the \$1,949,495 in community support, the Society spent \$155,512 on wages, office supplies, marketing and events during the fiscal year.

13. VIBRANT COMMUNITIES CALGARY

The Society together with the United Way of Calgary and Area founded an independent corporation, Vibrant Communities Calgary Ltd. This corporation, through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$412,917 (2006 - \$220,628) of the funds designated for this project have been forwarded to them for work in this area.