

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Financial Statements

December 31, 2017

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Index to Financial Statements
For the Year Ended December 31, 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITOR'S REPORT

To the Members of Momentum Community Economic Development Society:

We have audited the accompanying financial statements of Momentum Community Economic Development Society, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, 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.

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Independent Auditor's Report to the Members of Momentum Community Economic Development Society:
(continued)

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, 2017 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.

Calgary, Alberta
March 8, 2018

Calvista LLP

Chartered Professional Accountants

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 4,882,869	\$ 4,084,837
Short term investments (Note 3)	935,424	398,789
Accounts receivable	286,342	171,737
Participant loans due within one year (Note 4)	158,964	110,001
Goods and services tax recoverable	53,052	45,898
Prepaid expenses	80,625	93,788
	<u>6,397,276</u>	4,905,050
Participant loans less amounts due within one year (Note 4)	182,901	145,411
Restricted cash and cash equivalents (Note 5)	341,505	474,614
Capital assets (Note 6)	555,664	161,159
Long term investments (Note 7)	422,406	1,053,106
	<u>\$ 7,899,752</u>	<u>\$ 6,739,340</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 1,026,545	\$ 902,917
Current portion of obligations under capital lease	17,493	-
	<u>1,044,038</u>	902,917
Obligations under capital lease	21,511	-
Deferred contributions	2,616,992	2,177,526
Externally restricted funds (Note 9)	683,370	730,026
Deferred contributions related to capital assets (Note 8)	180,000	-
	<u>4,545,911</u>	3,810,469
Net Assets		
Invested in capital assets	336,661	161,159
Internally restricted (Note 11)	3,017,180	2,767,712
	<u>3,353,841</u>	2,928,871
	<u>\$ 7,899,752</u>	<u>\$ 6,739,340</u>

On behalf of the Board


 _____ Director

 _____ Director

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**Statement of Operations****For the Year Ended December 31, 2017**

	2017	2016
Revenue		
Government contracts:		
Alberta		
Ministry of Labour - Job Boost	\$ 30,000	\$ -
Other Ministries	1,963,133	1,522,771
Canada	261,464	150,866
City of Calgary		
FCSS	1,122,995	899,481
Other (Note 12)	479,012	443,774
	<u>3,856,604</u>	<u>3,016,892</u>
Community support: (Note 13)		
United Way of Calgary and Area (Note 12)	2,060,005	2,058,459
Corporate	581,216	594,629
Foundations (Note 12)	1,221,014	1,417,444
Individuals	539,346	542,160
	<u>4,401,581</u>	<u>4,612,692</u>
Fees and other revenues	592,824	388,261
Investment	81,080	69,263
	<u>8,932,089</u>	<u>8,087,108</u>
Expenses		
Salaries and wages	4,692,470	4,229,088
Program expenses	2,341,407	2,118,105
Facilities	570,690	546,533
Designated for loans and savings	276,125	258,551
Office and general expenses	212,611	211,560
Amortization	153,642	151,187
Staff and board development	131,217	203,516
Advertising	128,957	93,160
	<u>8,507,119</u>	<u>7,811,700</u>
Excess of revenue over expenses	<u>\$ 424,970</u>	<u>\$ 275,408</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Changes in Net Assets

For the Year Ended December 31, 2017

				2017	2016
	Invested in capital assets	Internally restricted	Unrestricted	December 31	December 31
Net assets - beginning of year	\$ 161,159	\$ 2,767,712	\$ -	\$ 2,928,871	\$ 2,653,463
Excess of revenue over expenses	-	-	424,970	424,970	275,408
Capital assets purchased (Note 6)	268,604	-	(268,604)	-	-
Amortization of deferred contributions related to capital assets	45,000	-	(45,000)	-	-
Amortization expense	(153,642)	-	153,642	-	-
Capital lease repayment	15,540	-	(15,540)	-	-
Transfers (Note 11)	-	249,468	(249,468)	-	-
Net assets - end of year	\$ 336,661	\$ 3,017,180	\$ -	\$ 3,353,841	\$ 2,928,871

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**Statement of Cash Flows****For the Year Ended December 31, 2017**

	2017	2016
Operating activities		
Excess of revenue over expenses	\$ 424,970	\$ 275,408
Items not affecting cash:		
Amortization of capital assets	153,642	151,188
Amortization of deferred contribution related to capital assets	(45,000)	(15,000)
	<u>533,612</u>	<u>411,596</u>
Changes in non-cash working capital:		
Accounts receivable	(114,605)	76,093
Accounts payable and accrued liabilities	123,629	21,818
Deferred contributions	439,466	435,711
Prepaid expenses	13,163	(4,596)
Goods and services tax payable	(7,154)	(6,461)
	<u>454,499</u>	<u>522,565</u>
Cash flows from operating activities	<u>988,111</u>	<u>934,161</u>
Investing activities		
Purchase of capital assets (Note 6)	(493,604)	(190,582)
Participant loans, advances and repayments - net	(86,453)	(11,419)
Long term investments	630,700	233,114
Short term investments	(536,635)	31,166
Cash flows (used by) from investing activities	<u>(485,992)</u>	<u>62,279</u>
Financing activities		
Externally restricted contributions	(46,656)	(2,464)
Funding received for capital assets	225,000	-
Repayment of capital lease	(15,540)	-
Cash flows from (used by) financing activities	<u>162,804</u>	<u>(2,464)</u>
Increase in cash flows	664,923	993,976
Cash and cash equivalents - beginning of year	<u>4,559,451</u>	<u>3,565,475</u>
Cash and cash equivalents - end of year	<u>5,224,374</u>	<u>4,559,451</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 4,882,869	\$ 4,084,837
Restricted cash and cash equivalents	<u>341,505</u>	<u>474,614</u>
	<u>\$ 5,224,374</u>	<u>\$ 4,559,451</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

Purpose of the Organization

Momentum Community Economic Development Society ("the Society"), is an organization that works with people living on low incomes and partners in our community to create a thriving local economy for all. To advance this mission, revenue is realized through government contracts, corporate funding, private donations and fee for service activities. The purpose of the Society is to use social and economic approaches to reduce poverty. 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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

2. Summary of significant accounting policies

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in mutual funds 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

For the Year Ended December 31, 2017

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 is 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

For the Year Ended December 31, 2017

3. Short term investments

Short term investments are comprised 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 1.05% to 2.90% (2016 - 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 2% (2016 - prime plus 1.5% to 2%). The loans mature between January 2018 and June 2021 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	2017 Net book value	2016 Net book value
Equipment	\$ 966,791	\$ 702,851	\$ 263,940	\$ 30,482
Computer software	2,537	2,537	-	-
Leasehold improvements	1,447,200	1,155,476	291,724	130,677
	\$ 2,416,528	\$ 1,860,864	\$ 555,664	\$ 161,159

During the year the Society acquired capital assets using following sources:

Cash additions:	
Unrestricted funds	\$ 268,604
Restricted funds	225,000
	<u>493,604</u>
Non-cash additions:	
Capital leases	54,543
	<u>\$ 548,147</u>

7. Long term investments

Long term investments are comprised of GICs with a maturity date greater than one year. The GICs carry interest rates from 2.00% to 2.55% (2016 - 1.25% to 2.90%) and will mature between April 2019 and April 2021.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

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 renovations. These deferred contributions are recognized on the same basis as the amortization expense related to part of the property and equipment covered by these funds.

	<u>2017</u>	<u>2016</u>
Opening balance	\$ -	\$ 15,000
Additions during the year	225,000	-
Amortized to revenue	(45,000)	(15,000)
Closing balance	\$ 180,000	\$ -

9. Externally restricted funds

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

	<u>2017</u>	<u>2016</u>
Micro-business loan fund	\$ 404,529	\$ 439,998
Bridging loan fund	223,606	226,963
Entrepreneurs with disabilities loan fund	34,666	42,496
Emergency loan fund	20,569	20,569
	683,370	730,026

The externally restricted funds have been allocated as follows:

Restricted cash	341,505	474,614
Loans	341,865	255,412
	\$ 683,370	\$ 730,026

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

10. Lease 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 three equipment lease agreements which require quarterly payments of \$5,214. The leases expire between September 2019 and March 2021.

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

2018	\$	189,642
2019		191,106
2020		190,624
2021		64,715
		<hr/>
	\$	636,087

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>2017</u>	<u>2016</u>
Sustainability Fund	\$ 2,104,726	\$ 2,104,726
Strategic Fund	302,986	152,986
Capital Fund	609,468	510,000
	<hr/>	
	\$ 3,017,180	\$ 2,767,712

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. Vibrant Communities Calgary through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$996,025 (2016 - \$ 1,048,891) of the funds designated for this project have been spent for work in this area.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

13. Community support

In order to raise the \$4,401,581 (2016 - \$4,612,692) in community support, the Society spent \$296,920 (2016 - \$335,572) on staffing costs, facilities for the staff, general supplies and direct costs for the purposes of soliciting contributions. \$160,012 (2016 - \$207,759) 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, 2017.

(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, 2017 the proportion of fixed interest rate financial assets to variable interest rate financial assets is 95:5 (2016 - 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 a 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.

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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Notes to Financial Statements
For the Year Ended December 31, 2017

14. Financial instruments (*continued*)

(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.
