

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Financial Statements

December 31, 2019

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Index to Financial Statements
For the Year Ended December 31, 2019

	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 - 15



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INDEPENDENT AUDITOR'S REPORT

To the Members of Momentum Community Economic Development Society

Opinion

We have audited the financial statements of Momentum Community Economic Development Society (the "Society"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or cease operations, or has no realistic alternative but to do so.

(continues)



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

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
March 26, 2020

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 4,350,504	\$ 5,057,969
Short term investments (Note 3)	1,026,626	432,621
Accounts receivable	190,584	171,388
Participant loans due within one year (Note 4)	184,935	154,038
Goods and services tax recoverable	41,712	50,284
Prepaid expenses	94,870	92,639
	<u>5,889,231</u>	<u>5,958,939</u>
Participant loans less amounts due within one year (Note 4)	145,477	172,470
Restricted cash and cash equivalents (Note 5)	283,120	329,057
Capital assets (Note 6)	316,896	484,583
Long term investments (Note 7)	1,544,383	405,065
	<u>\$ 8,179,107</u>	<u>\$ 7,350,114</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 936,807	\$ 981,308
Current portion of obligations under capital lease	14,403	5,352
Deferred contributions related to operations (Note 8)	2,349,750	2,061,658
	<u>3,300,960</u>	<u>3,048,318</u>
Obligations under capital lease	26,661	14,967
Externally restricted funds (Note 10)	613,532	655,565
Deferred contributions related to capital assets (Note 9)	90,000	135,000
Deferred contributions for future capital expenditures (Note 9)	275,000	-
	<u>4,306,153</u>	<u>3,853,850</u>
Net Assets		
Invested in capital assets	185,832	329,265
Internally restricted (Note 12)	3,687,122	3,166,999
	<u>3,872,954</u>	<u>3,496,264</u>
	<u>\$ 8,179,107</u>	<u>\$ 7,350,114</u>

On behalf of the Board

 _____ Director
 _____ Director

The accompanying notes are an integral part of these financial statements.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Operations

For the Year Ended December 31, 2019

	2019	2018
Revenue		
Government contracts:		
Alberta	\$ 2,220,218	\$ 2,234,435
Canada	397,467	307,391
City of Calgary		
Family & Community Support Services (FCSS)	1,044,747	1,097,081
Other (Note 13)	463,732	549,531
	<u>4,126,164</u>	<u>4,188,438</u>
Community support: (Note 14)		
United Way of Calgary and Area (Note 13)	1,608,761	1,924,871
Corporate	805,935	699,569
Foundations (Note 13)	2,170,650	1,533,439
Individuals	454,210	575,243
	<u>5,039,556</u>	<u>4,733,122</u>
Fees and other revenues	288,356	264,971
Investments and interest income	155,865	124,489
	<u>9,609,941</u>	<u>9,311,020</u>
Expenses		
Salaries and wages	5,476,556	4,988,610
Program expenses	2,065,099	2,584,322
Facilities	622,398	578,851
Office and general expenses	210,597	202,247
Designated for loans and savings	257,661	284,505
Amortization	244,307	209,872
Staff and board development	189,266	166,722
Advertising	167,367	153,468
	<u>9,233,251</u>	<u>9,168,597</u>
Excess of revenue over expenses	<u>\$ 376,690</u>	<u>\$ 142,423</u>

The accompanying notes are an integral part of these financial statements.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Statement of Changes in Net Assets
For the Year Ended December 31, 2019

				2019
	Invested in capital assets	Internally restricted	Unrestricted	December 31
Net assets - beginning of year	\$ 329,265	\$ 3,166,999	\$ -	\$ 3,496,264
Excess of revenue over expenses	-	-	376,690	376,690
Capital assets purchased (<i>Note 6</i>)	40,191	-	(40,191)	-
Amortization of deferred contributions related to capital assets	45,000	-	(45,000)	-
Amortization expense	(244,307)	-	244,307	-
Capital lease repayment	15,683	-	(15,683)	-
Transfers (<i>Note 12</i>)	-	520,123	(520,123)	-
Net assets - end of year	\$ 185,832	\$ 3,687,122	\$ -	\$ 3,872,954

				2018
	Invested in capital assets	Internally restricted	Unrestricted	December 31
Net assets - beginning of year	\$ 336,661	\$ 3,017,180	\$ -	\$ 3,353,841
Excess of revenue over expenses	-	-	142,423	142,423
Capital assets purchased	138,791	-	(138,791)	-
Amortization of deferred contributions related to capital assets	45,000	-	(45,000)	-
Amortization expense	(209,872)	-	209,872	-
Capital lease repayment	18,685	-	(18,685)	-
Transfers (<i>Note 12</i>)	-	149,819	(149,819)	-
Net assets - end of year	\$ 329,265	\$ 3,166,999	\$ -	\$ 3,496,264

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY**Statement of Cash Flows****For the Year Ended December 31, 2019**

	2019	2018
Operating activities		
Excess of revenue over expenses	\$ 376,690	\$ 142,423
Items not affecting cash:		
Amortization of capital assets	244,307	209,872
Bad debt	55,179	-
Amortization of deferred contribution related to capital assets	(45,000)	(45,000)
	<u>631,176</u>	<u>307,295</u>
Changes in non-cash working capital:		
Accounts receivable	(19,196)	114,954
Goods and services tax payable	8,572	2,768
Prepaid expenses	(2,231)	(12,014)
Accounts payable and accrued liabilities	(44,502)	(45,237)
Deferred contributions	288,092	(555,334)
	<u>230,735</u>	<u>(494,863)</u>
Cash flows from (used by) from operating activities	<u>861,911</u>	<u>(187,568)</u>
Investing activities		
Net Proceeds from (additions to) short term investments	(594,005)	502,803
Participant loans, advances	(233,455)	(197,888)
Participant loans, repayments	174,372	213,244
Purchase of capital assets (Note 6)	(40,191)	(138,791)
Additions to long term investments	(1,139,318)	(603,891)
Proceeds from long term investments	-	621,233
	<u>(1,832,597)</u>	<u>396,710</u>
Cash flows from (used by) investing activities	<u>(1,832,597)</u>	<u>396,710</u>
Financing activities		
Externally restricted contributions	(42,033)	(27,805)
Funding received for capital assets	275,000	-
Repayments of capital lease	(15,683)	(18,685)
	<u>217,284</u>	<u>(46,490)</u>
Cash flows from (used by) from financing activities	<u>217,284</u>	<u>(46,490)</u>
Increase (decrease) in cash flows	(753,402)	162,652
Cash and cash equivalents - beginning of year	<u>5,387,026</u>	<u>5,224,374</u>
Cash and cash equivalents - end of year	<u>4,633,624</u>	<u>5,387,026</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 4,350,504	\$ 5,057,969
Restricted cash and cash equivalents	<u>283,120</u>	<u>329,057</u>
	<u>\$ 4,633,624</u>	<u>\$ 5,387,026</u>

The accompanying notes are an integral part of these financial statements.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

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

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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in money market 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.

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MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

2. Summary of significant accounting policies (*continued*)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. 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 materials and services

The Society recognizes contributed materials and services as assets or expenses to the extent the fair value of the contributed materials and services can be reasonably estimated, are used in the normal course of the Society's operations and would have otherwise been purchased.

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

Year Ended December 31, 2019

3. Short term investments

Short term investments are comprised of Guaranteed Investment Certificate ("GICs") with a maturity date of less than one year. These investments carry an interest rate of 1.20% to 2.45% (2018 - 0.85% to 2.55%).

4. Participant loans

Loans to qualified program participants are repayable on a monthly basis with interest at prime plus 1.5% to 2% (2018 - prime plus 1.5% to 2%). The loans mature between January 2020 and June 2023 and are externally restricted. Refer to note 10 for externally restricted funds.

During the year a total of \$55,179 (2018 - \$25,427) was written off as bad debt and a provision of \$25,442 (2018 - \$14,600) was made for doubtful accounts.

5. Restricted cash and cash equivalents

Cash and cash equivalents have been set aside to meet certain externally restricted obligations. Refer to note 10 for externally restricted funds.

6. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 1,128,800	\$ 956,807	\$ 171,993	\$ 265,166
Computer software	17,624	12,466	5,158	-
Leasehold improvements	1,454,579	1,314,834	139,745	219,417
	\$ 2,601,003	\$ 2,284,107	\$ 316,896	\$ 484,583

7. Long term investments

Long term investments are comprised of GICs with a maturity date greater than one year. The non redeemable GICs carry interest rates from 0.95% to 2.80% (2018 - 2.00% to 2.55%) and will mature between May 2021 and April 2022.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

8. Deferred contributions related to operations

Contributions related to operations are funds received in the current and previous periods to be matched with expenses and recognized as revenue in future periods.

	Opening Balance	Additions	Utilizations	2019
Corporate, Foundations and Individuals	\$ 1,601,554	\$ 2,544,223	\$ 2,307,320	\$ 1,838,457
United Way	193,196	1,757,507	1,608,760	341,943
Canada	-	397,467	397,467	-
Government of Alberta	140,962	1,365,407	1,483,232	23,137
City of Calgary	125,946	1,528,745	1,508,478	146,213
	<u>\$ 2,061,658</u>	<u>\$ 7,593,349</u>	<u>\$ 7,305,257</u>	<u>\$ 2,349,750</u>

9. 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.

	2019	2018
Opening balance	\$ 135,000	\$ 180,000
Additions during the year	-	-
Amortized to revenue	<u>(45,000)</u>	<u>(45,000)</u>
Ending balance	<u>\$ 90,000</u>	<u>\$ 135,000</u>

The Society also received \$275,000 donations restricted towards future capital expenditure. As of December 31, 2019, these donations remained unspent and are included within cash and cash equivalents.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

10. Externally restricted funds

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

	<u>2019</u>	<u>2018</u>
Micro-business loan fund	\$ 376,461	\$ 392,270
Bridging loan fund	200,204	218,666
Entrepreneurs with disabilities loan fund	16,303	24,065
Emergency loan fund	20,564	20,564
	<u>\$ 613,532</u>	<u>\$ 655,565</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 283,120	\$ 329,057
Participant loans	330,412	326,508
	<u>\$ 613,532</u>	<u>\$ 655,565</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

11. Commitments

Other

The Society has an outstanding letter of guarantee amounting to \$169,000 (2018 - \$169,000). This letter of guarantee is issued in favour of the Ministry of Advanced Education.

A GIC amounting to \$192,996 (2018 - \$190,708), shown as a short term investment on the statement of financial position, is held as a deposit by Royal Bank of Canada against this letter of guarantee.

Leases

The Society has operating leases for rental of its office premises. The existing lease agreement expires in June 2020 and require monthly payments of \$14,622 plus operating costs for the next 4 months and payments of \$15,840 plus operating costs for the remaining 2 months.

In the current year Society also entered into a lease agreement commencing October 1, 2020 which expires in September 2032. The lease contains a rent free period of 4 months and requires minimum monthly payments included in the schedule below.

The Society has entered into three equipment lease agreements which require quarterly payments. The leases expire between March 2021 and November 2023.

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

2020	\$	180,203
2021		312,416
2022		334,786
2023		333,287
2024		349,065
Thereafter		2,629,623

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

12. 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, Facility Operating 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 Facility Operating Fund is to cover future operating costs for Momentum's facilities. The Capital Fund is created to fund the upcoming capital requirements of the Society.

	<u>2019</u>	<u>2018</u>
Sustainability Fund	\$ 2,223,256	\$ 2,104,726
Strategic Fund	200,000	200,000
Facility Operating Fund	175,000	-
Capital Fund	<u>1,088,866</u>	<u>862,273</u>
	<u>\$ 3,687,122</u>	<u>\$ 3,166,999</u>

13. 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 (VCC). Vibrant Communities Calgary through a contract with the Society, is carrying out initiatives that help reduce poverty in Calgary. During the year, \$942,564 (2018 - \$ 1,274,708) of the funds designated for this project have been spent for work in this area. At the end of the year \$352,401 of the funds received remained unspent.

14. Community support

In order to raise the \$ 5,039,556 (2018 - \$4,733,123) in community support, the Society spent \$ 514,686 (2018 - \$451,289) on staffing costs, facilities for the staff, general supplies and direct costs for the purposes of soliciting contributions. \$ 338,663 (2018 - \$267,019) 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.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

15. 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, 2019.

(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:

- Participant 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, 2019 the proportion of fixed interest rate financial assets to variable interest rate financial assets is 96% (2018 - 94.7%).

(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
- Restricted cash

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.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. This reclassification has no effect on prior year excess of revenues over expenses
