

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Financial Statements

December 31, 2020

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Index to Financial Statements
For the Year Ended December 31, 2020

	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 - 14



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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, 2020, 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, 2020, 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.

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

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

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 17, 2021

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY
Statement of Financial Position
As at December 31, 2020

	2020	2019
Assets		
Current		
Cash and cash equivalents	\$ 3,646,488	\$ 4,350,504
Short term investments (Note 3)	1,240,604	1,026,626
Accounts receivable	518,102	190,584
Inventory	3,696	-
Participant loans due within one year (Note 4)	187,772	184,935
Goods and services tax recoverable	62,060	41,712
Prepaid expenses	171,800	94,870
	<u>5,830,522</u>	<u>5,889,231</u>
Participant loans less amounts due within one year (Note 4)	99,168	145,477
Restricted cash and cash equivalents (Note 5)	298,455	283,120
Capital assets (Note 6)	916,636	316,896
Long term investments (Note 7)	1,222,917	1,544,383
	<u>\$ 8,367,698</u>	<u>\$ 8,179,107</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 830,880	\$ 936,807
Current portion of obligations under capital lease	10,693	14,403
Deferred contributions related to operations (Note 8)	2,825,221	2,349,750
	<u>3,666,794</u>	<u>3,300,960</u>
Obligations under capital lease	16,485	26,661
Externally restricted funds (Note 10)	585,394	613,532
Deferred contributions related to capital assets (Note 9)	220,000	90,000
Deferred contributions for future capital expenditures (Note 9)	-	275,000
	<u>4,488,673</u>	<u>4,306,153</u>
Net Assets		
Invested in capital assets	669,458	185,832
Internally restricted (Note 12)	3,209,567	3,687,122
	<u>3,879,025</u>	<u>3,872,954</u>
	<u>\$ 8,367,698</u>	<u>\$ 8,179,107</u>

Approved 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, 2020**

	2020	2019
Revenue		
Government of Canada		
Canada Emergency Wage Subsidy (Note 16)	\$ 1,050,752	\$ -
Other	607,317	397,467
Government of Alberta	946,249	2,220,218
City of Calgary		
Family & Community Support Services (FCSS)	1,044,747	1,044,747
Emergency Resiliency Fund (ERF)	175,000	-
Home Program	25,000	-
Other (Note 13)	478,334	463,732
	<u>4,327,399</u>	<u>4,126,164</u>
Community support: (Note 14)		
United Way of Calgary and Area	1,694,165	1,608,761
Corporate	660,514	805,935
Foundations	1,292,781	2,170,650
Individuals	286,946	454,210
	<u>3,934,406</u>	<u>5,039,556</u>
Fees and other revenues	263,343	288,356
Investments and interest income	110,812	155,865
	<u>8,635,960</u>	<u>9,609,941</u>
Expenses		
Salaries and wages	5,026,632	5,476,556
Program expenses	2,029,308	2,065,099
Facilities	651,313	622,398
Office and general expenses	158,147	210,597
Designated for loans and savings	226,738	257,661
Amortization	407,053	244,307
Staff and board development	55,700	189,266
Advertising	74,998	167,367
	<u>8,629,889</u>	<u>9,233,251</u>
Excess of revenue over expenses	<u>\$ 6,071</u>	<u>\$ 376,690</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, 2020

				2020
	Invested in capital assets	Internally restricted	Unrestricted	December 31
Net assets - beginning of year	\$ 185,832	\$ 3,687,122	\$ -	\$ 3,872,954
Excess of revenue over expenses	-	-	6,071	6,071
Capital assets purchased (Note 6)	1,006,792	-	(1,006,792)	-
Amortization of deferred contributions related to capital assets	145,000	-	(145,000)	-
Amortization expense	(407,053)	-	407,053	-
Capital lease repayment	13,887	-	(13,887)	-
Transfers (Note 12)	(275,000)	(477,555)	752,555	-
Net assets - end of year	\$ 669,458	\$ 3,209,567	\$ -	\$ 3,879,025

				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 (Note 6)	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	18,685	-	(18,685)	-
Transfers (Note 12)	-	520,123	(520,123)	-
Net assets - end of year	\$ 185,832	\$ 3,687,122	\$ -	\$ 3,872,954

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Statement of Cash Flows

For the Year Ended December 31, 2020

	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 6,071	\$ 376,690
Items not affecting cash:		
Amortization of capital assets	407,053	244,307
Bad debt	39,413	55,179
Amortization of deferred contributions related to capital assets	(145,000)	(45,000)
	<u>307,537</u>	<u>631,176</u>
Changes in non-cash working capital:		
Accounts receivable	(366,931)	(19,196)
Inventory	(3,697)	8,572
Goods and services tax payable	(20,348)	-
Prepaid expenses	(76,930)	(2,231)
Accounts payable and accrued liabilities	(105,926)	(44,502)
Deferred contributions	475,471	288,092
	<u>(98,361)</u>	<u>230,735</u>
Cash flows from operating activities	<u>209,176</u>	<u>861,911</u>
Investing activities		
Additions to short term investments	(213,978)	(594,005)
Participant loans, advances	(201,013)	(233,455)
Participant loans, repayments	244,485	174,372
Purchase of capital assets (Note 6)	(1,006,793)	(40,191)
Net proceeds from (additions to) long term investments	321,466	(1,139,318)
Cash flows used by investing activities	<u>(855,833)</u>	<u>(1,832,597)</u>
Financing activities		
Externally restricted contributions	(28,138)	(42,033)
Funding received for capital assets	-	275,000
Repayments of capital lease	(13,886)	(15,683)
Cash flows from (used by) financing activities	<u>(42,024)</u>	<u>217,284</u>
Decrease in cash flows	<u>(688,681)</u>	<u>(753,402)</u>
Cash and cash equivalents - beginning of year	<u>4,633,624</u>	<u>5,387,026</u>
Cash and cash equivalents - end of year	<u>3,944,943</u>	<u>4,633,624</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 3,646,488	\$ 4,350,504
Restricted cash and cash equivalents	298,455	283,120
	<u>\$ 3,944,943</u>	<u>\$ 4,633,624</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, 2020

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 fees 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.

(continues)

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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, 2020

3. Short term investments

Short term investments are comprised of Guaranteed Investment Certificates ("GICs") with a maturity date of less than one year. These investments carry an interest rate of 0.7% to 3.22% (2019 - 1.20% to 2.45%).

4. Participant loans

Loans to qualified program participants are repayable on a monthly basis with interest at prime plus 1.5% to 2% (2019 - prime plus 1.5% to 2%). During 2020, there are COVID emergency loans given on an interest free basis. The loans mature between January 2021 and September 2024 and are externally restricted. Refer to note 10 for externally restricted funds.

During the year a total of \$39,413 (2019 - \$55,179) was written off as bad debt and a provision of \$37,229 (2019 - \$25,442) 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	2020 Net book value	2019 Net book value
Equipment	\$ 1,853,015	\$ 1,188,718	\$ 664,297	\$ 171,993
Computer software	17,624	17,624	-	5,158
Leasehold improvements	1,735,618	1,483,279	252,339	139,745
	<u>\$ 3,606,257</u>	<u>\$ 2,689,621</u>	<u>\$ 916,636</u>	<u>\$ 316,896</u>

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 2.43% to 2.80% (2019 - 0.95% to 2.80%) and will mature between April 2022.

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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	Ending Balance
Corporate, Foundations and Individuals	\$ 1,838,457	\$ 2,586,102	\$ 2,240,241	\$ 2,184,318
United Way	341,943	1,800,783	1,694,165	448,561
Government of Alberta	23,137	938,577	946,249	15,465
City of Calgary	146,213	1,753,745	1,723,081	176,877
	<u>\$ 2,349,750</u>	<u>\$ 7,079,207</u>	<u>\$ 6,603,736</u>	<u>\$ 2,825,221</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.

	2020	2019
Opening balance	\$ 365,000	\$ 135,000
Additions during the year	-	275,000
Amortized to revenue	<u>(145,000)</u>	<u>(45,000)</u>
Ending balance	<u>\$ 220,000</u>	<u>\$ 365,000</u>

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

10. Externally restricted funds

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

	<u>2020</u>	<u>2019</u>
Micro-business loan fund	\$ 379,292	\$ 376,461
Bridging loan fund	174,609	200,204
Entrepreneurs with disabilities loan fund	10,929	16,303
Emergency loan fund	20,564	20,564
	<u>\$ 585,394</u>	<u>\$ 613,532</u>

The externally restricted funds have been allocated as follows:

Restricted cash	\$ 298,454	\$ 283,120
Participant loans	286,940	330,412
	<u>\$ 585,394</u>	<u>\$ 613,532</u>

11. Commitments

Other

The Society has an outstanding letter of guarantee amounting to \$169,000 (2019 - \$169,000). This letter of guarantee is issued in favour of the Ministry of Advanced Education. A GIC amounting to \$194,157 (2019 - \$192,966), 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

In the current year Society 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:

2021	\$ 312,416
2022	317,332
2023	333,286
2024	331,611
2025	349,065
Thereafter	2,542,350

MOMENTUM COMMUNITY ECONOMIC DEVELOPMENT SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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>2020</u>	<u>2019</u>
Sustainability Fund	\$ 2,316,000	\$ 2,223,256
Strategic Fund	418,567	200,000
Facility Operating Fund	175,000	175,000
Capital Fund	300,000	1,088,866
	<u>\$ 3,209,567</u>	<u>\$ 3,687,122</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, \$956,666 (2019 - \$942,564) of the funds designated for this project have been spent for work in this area. At the end of the year \$380,672 (2019 - \$352,401) of the funds received remained unspent.

14. Community support

In order to raise the \$3,934,406 (2019 - \$5,039,556) in community support, the Society spent \$455,686 (2019 - \$514,686) on staffing costs, facilities for the staff, general supplies and direct costs for the purposes of soliciting contributions. \$331,299 (2019 - \$338,663) 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, 2020

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, 2020.

(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, 2020 the proportion of fixed interest rate financial assets to variable interest rate financial assets is 96% (2019 - 96%).

(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
- Participant loan

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, 2020

16. Canada Emergency Wage Subsidy

As a Canadian employer who has seen a drop in revenue during the ongoing COVID-19 pandemic, the Society is eligible for a subsidy to cover part of the employee wages in 2020. The subsidy is distributed by the government to help re-hire workers, help prevent further job losses and ease the business back to normal operations.

17. 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.
