

PROSPER CANADA
YEAR ENDED MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the directors of

PROSPER CANADA

We have audited the accompanying financial statements of Prosper Canada, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

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.

Auditors' 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 auditors' 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 in our audit 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 Prosper Canada as at March 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of Prosper Canada for the period ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 27, 2016.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
July 13, 2017

PROSPER CANADA

STATEMENT OF OPERATIONS

For the year ended March 31,	Core \$	The Centre \$	Scaling Financial Empowerment \$	Financial Coaching \$	FEPS \$	Ontario FEC \$	National FEC \$	First Nations Financial Wellness \$	Tax Benefits Research \$	Financial Literacy for Newcomers \$	Benefit Screening Tool \$	2017 \$	2016 \$
Revenues													
Donations	22,401	973,090	-	-	-	-	-	-	-	-	-	995,491	1,352,751
Grants	144,409	-	81,321	194,231	919,913	687,374	749,751	170,630	28,533	222,271	45,372	3,243,805	2,044,840
Conference sponsorship/fees	-	-	-	-	-	-	-	-	-	-	-	-	292,889
Consulting	194,470	-	-	-	-	-	-	-	-	-	10,000	204,470	285,870
Interest and sundry	22,485	-	-	-	-	-	-	-	-	-	-	22,485	17,690
	383,765	973,090	81,321	194,231	919,913	687,374	749,751	170,630	28,533	222,271	55,372	4,466,251	3,994,040
Expenditures													
Wages and benefits	39,384	799,135	73,053	83,724	91,740	247,309	219,576	101,110	8,374	78,140	43,770	1,785,315	1,444,852
Program delivery fees	-	-	-	96,000	792,637	259,944	403,431	35,538	-	77,200	-	1,664,750	577,685
Program consulting	104,476	34,996	312	-	824	87,691	55,191	396	16,925	25,740	-	326,551	403,586
Grant fund	-	-	-	-	-	-	-	-	-	-	-	-	373,391
Rent	10,432	69,640	3,600	4,800	4,200	7,150	12,239	13,176	1,000	9,360	5,710	141,307	114,787
Travel and meetings	12,423	25,889	-	1,859	6,428	20,665	40,672	14,093	307	3,983	87	126,406	136,053
Website/web-based solutions development	25,877	-	-	-	17,825	20,000	400	-	-	19,062	1,050	84,214	32,052
Equipment	(2,788)	6,933	1,800	2,400	-	11,966	4,780	2,400	500	2,000	1,900	31,891	38,046
Office and general	4,240	8,174	1,656	2,937	38	1,400	6,659	1,200	1,224	3,082	-	30,610	38,246
Printing/graphic design expenses	1,814	1,607	-	1,647	-	21,714	-	-	121	1,058	952	28,913	27,945
Telephone and internet	1,058	3,705	900	264	4,935	2,017	4,743	2,467	82	1,446	1,903	23,520	16,249
Professional development	20,000	-	-	-	1,286	-	-	-	-	-	-	21,286	437
Dues, fees, licenses, memberships	6,206	7,340	-	-	-	1,968	-	-	-	-	-	15,514	12,693
Audit and legal	902	10,250	-	600	-	1,600	-	-	-	1,200	-	14,552	20,788
Promotion	1,600	4,523	-	-	-	3,950	2,060	250	-	-	-	12,383	35,721
Organizational development	9,666	-	-	-	-	-	-	-	-	-	-	9,666	3,898
Resource materials	1,095	898	-	-	-	-	-	-	-	-	-	1,993	3,360
Match funds	-	-	-	-	-	-	-	-	-	-	-	-	4,341
Amortization	43,861	-	-	-	-	-	-	-	-	-	-	43,861	30,364
	280,246	973,090	81,321	194,231	919,913	687,374	749,751	170,630	28,533	222,271	55,372	4,362,732	3,314,494
Excess of revenues over expenditures for the year	103,519	-	-	-	-	-	-	-	-	-	-	103,519	679,546

See accompanying notes.

PROSPER CANADA
STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31,	Unrestricted \$	Internally restricted \$	2017 Total \$	2016 Total \$
Beginning of year	624,616	500,000	1,124,616	445,070
Excess of revenues over expenses for the year	103,519	-	103,519	679,546
Transfer to Internally restricted	(600,000)	600,000	-	-
End of year	128,135	1,100,000	1,228,135	1,124,616

See accompanying notes.

PROSPER CANADA
STATEMENT OF CASH FLOW

For the year ended March 31,	2017 \$	2016 \$
Operating activities		
Excess of revenues over expenses for the year	103,519	679,546
Item not involving cash Amortization of capital assets	43,861	30,364
Working capital from operations	147,380	709,910
Net change in non-cash working capital balances related to operations	731,499	(463,586)
Cash from operations	878,879	246,324
Investing activities		
Acquisition of capital assets	(40,249)	(60,622)
Short-term investments	(304,737)	594,416
	(344,986)	533,794
Change in cash and cash equivalents during the year	533,893	780,118
Cash and cash equivalents		
Beginning of year	2,299,519	1,519,401
End of year	2,833,412	2,299,519

See accompanying notes.

PROSPER CANADA

(Incorporated under the laws of Ontario)

STATEMENT OF FINANCIAL POSITION

As at March 31,	2017 \$	2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,833,412	2,299,519
Short-term investments (Note 2)	608,637	303,900
Accounts receivable (Note 4)	165,237	87,908
Other receivables	62,355	37,784
HST rebate receivable	53,559	51,600
Prepaid expenses and deposits	18,183	44,502
	3,741,383	2,825,213
Capital assets (Note 3)	64,484	68,096
	3,805,867	2,893,309
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	774,216	176,107
Deferred revenue (Note 4)	1,803,516	1,592,586
	2,577,732	1,768,693
NET ASSETS		
Unrestricted	128,135	624,616
Internally restricted		
Operating reserve fund	600,000	-
Capacity building reserve fund	500,000	500,000
	1,100,000	500,000
	1,228,135	1,124,616
	3,805,867	2,893,309

Other information (Note 5)

See accompanying notes.

Approved on behalf of the Board:



 Chair Audit Committee

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Prosper Canada is a not-for-profit organization federally incorporated without share capital and is registered with Canada Revenue Agency as a charity, within the meaning of the Income Tax Act.

The organization was founded as an innovative response to high levels on unemployment and welfare dependency in Canada and has evolved into an innovator and producer/manager of effective Canadian self-sufficiency policies and programs.

1. Significant accounting policies

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

The organization 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.

Consulting fees are recognized when services have been rendered and the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income from all short-term investments is recognized in the core fund as earned.

(b) Fund accounting

The financial statements include the following funds:

- Internally restricted: as approved by the Board of Directors, two funds have been designated and set aside to address specific future requirements. The Operating reserve fund is to provide an internal source of funds to address unanticipated budget shortfalls to ensure the stability of the organization's operations and has a target of 25-35% of annual core operating costs. The Capacity building reserve fund is to provide funds for strategic organizational capacity building priorities to ensure ongoing capacity to advance Prosper Canada's mission and/or to respond to specific opportunities to improve and/or expand our impact; and

1. Significant accounting policies (cont'd)

(b) Fund accounting (cont'd)

- Unrestricted: reflects the cumulative net excess of revenues over expenses.

The programs that Prosper Canada participate in are as follows:

The Prosper Canada Core Fund ("Core"): accounts for the organization's strategic planning, fundraising and administrative activities. This year the Core Fund also accounts for some ending projects including the MPower Money Coaching Program, the Financial Literacy Evaluation project funded by Canadian Bankers Association and conducted in partnership with the Financial Consumer Agency of Canada; and, the Youth Online financial literacy training funded by the Children's Aid Foundation

Scaling Financial Empowerment: is funded by the J.W. McConnell Family Foundation over a two-year period to support the organization's national financial empowerment scaling strategy, enabling the organization to access financial empowerment technical assistance, training and program resources from the U.S. Cities for Financial Empowerment Fund. The goal is to develop a complete suite of program methodologies, tools and resources to benefit community organizations working with Canadians living on low incomes.

Financial Coaching for People on Low Incomes (2015-2017) ("Financial Coaching"): is a two-year pilot project funded by Capital One which will allow us to develop and test different approaches to integrating financial coaching into existing social services, using trained community organization staff.

The Prosper Canada Centre for Financial Literacy ("The Centre"): is co-founded and funded by TD Bank Group for three years (Jan 1, 2015 to Dec 31, 2017). The gift will help the Centre to reach its goal of building the financial capability of one million Canadians living on low incomes by 2020.

First Nations Financial Wellness: is funded by the Ontario Trillium Foundation. The project's objectives are to develop and pilot programs that support the financial well-being of First Nation community members in Ontario.

1. **Significant accounting policies (cont'd)**

(b) *Fund accounting (cont'd)*

The Financial Literacy for Newcomers project ("FLNP"): is funded by Immigration, Refugees and Citizenship Canada. The project's objective is to aid newcomers to integrate into society more quickly through financial literacy supports and services; and to build a community of practice in order to support more organizations to include financial literacy programs as part of the services offered to newcomers.

Financial Empowerment and Problem Solving Program (FEPS): is funded by the Ontario Ministry of Community and Social Services. The project's objectives are to renew an innovative program that currently provides financial education, advocacy, and problem-solving services to people with low incomes in three Toronto neighbourhoods and the expansion to two additional Ontario communities.

Financial Empowerment Champions ("National FECs"): is funded by the Government of Canada's Social Development Partnerships Program. Prosper Canada will work in collaboration with at least five organizations/collaboratives across Canada over the five-year period to expand delivery of proven financial empowerment interventions that will improve the financial well-being of one million Canadians living on low incomes by 2020.

The Ontario Financial Empowerment Champions project ("Ontario FECs"): is funded by the Government of Ontario. Prosper Canada will select, fund and work with five Financial Empowerment Champion organizations across Ontario to expand delivery of proven financial empowerment interventions that will improve the financial well-being of over 50,000 Ontarians living on low incomes.

Removing Barriers to Tax Filing ("Tax Benefits Research"): is a two-year project funded by Intuit. Prosper Canada will conduct research to explore why some Canadians with low incomes do not tax file and access income benefits they are eligible for, to inform the development of effective solutions that will help increase tax filing rates among this population.

Benefits Screening Tool ("BST") project: is funded by Maytree. Building on the work from Phase 1 of this project, Prosper Canada will enhance the BST, develop additional training and follow-up supports, pilot the tool in more Toronto and Winnipeg sites, and evaluate the impact on patients when screening for poverty.

1. Significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk in changes in value.

(d) Capital assets

Capital assets are stated at cost. Amortization is recorded at rates calculated to charge the cost of the assets to operations over their estimated useful lives. Maintenance and repairs are charged to operations as incurred. Gains and losses on disposals are calculated on the remaining net book value at the time of disposal and included in income.

Amortization is charged to operations at the following annual rates:

Furniture and fixtures	-	20% declining balance
Computer equipment	-	2 years straight line
Leasehold improvements	-	straight line over term of the lease

(e) Allocation of expenses

Project expenditures include both costs that are specifically identifiable with the project and costs that have been allocated to the project. The organization allocates these expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

Expenses are allocated on the following basis:

Salaries and benefits - based on management's estimate of time spent by staff on each project

Other supplies and services - based on management's estimate of the usage of such resources by the project

(f) Use of estimates

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 amounts of assets, liabilities, revenues and expenditures during the period. Actual results could differ from these estimates.

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. Significant accounting policies (cont'd)

(g) Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenses.

The organization's financial instruments that are measured at amortized cost consist of cash, accounts receivable, sundry receivable, accounts payable and accrued liabilities, and deferred revenue.

2. Short-term investments

	2017 \$	2016 \$
Guaranteed investment certificates	608,637	303,900

The guaranteed investment certificates bear a yield to maturity of 0.950% to 1.00% (2016 - 0.950%) with staggered maturity dates from June 8, 2018 to September 30, 2019 (2016 - June 6, 2016).

3. Capital assets

	Cost \$	Accumulated amortization \$	Net Book Value	
			2017 \$	2016 \$
Furniture and fixtures	36,583	17,807	18,776	18,214
Computer equipment and software	52,816	26,133	26,683	8,620
Leasehold improvements	63,640	44,615	19,025	41,262
	153,039	88,555	64,484	68,096

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

4. Deferred revenue

The organization records restricted contributions as deferred revenue until it is expended for the purpose of the grant. The change in the amount of deferred grants for fiscal 2017 is summarized as follows:

	Beginning of year \$	Receivable, beginning of year \$	Received in the year \$	Recognized as revenue \$	Receivable, end of year \$	End of year \$
Prosper Canada Core	107,113	(74,585)	368,700	(351,379)	-	49,849
The Centre	981,017		1,155,491	(973,090)		1,163,418
Scaling Financial Empowerment	-	(13,323)	100,000	(81,321)	-	5,356
Financial Coaching	107,059	-	199,500	(194,231)	-	112,328
FEPS	99,910	-	675,000	(919,913)	145,003	-
Ontario FEC	-	-	882,000	(687,374)	-	194,626
National FEC	203,502	-	546,015	(749,751)	234	-
First Nations Financial Wellness	26,409	-	249,900	(170,630)	-	105,679
Tax Benefits Research	-	-	55,633	(9,763)	-	45,870
Match fund	67,576	-	-	(18,769)	-	48,807
Financial Literacy for Newcomers	-	-	202,271	(222,271)	20,000	-
Benefit Screening Tool	-	-	122,955	(45,372)	-	77,583
	1,592,586	(87,908)	4,557,465	(4,423,864)	165,237	1,803,516

5. Other Information

(a) *Lease obligation*

The organization is committed under a net lease for premises until January 2021. Annual rents are approximately as follows:

	\$
2018	140,500
2019	142,800
2020	144,800
2021	121,200
	549,300

5. Other information (cont'd)

(b) Financial instruments

The organization is exposed to the following significant financial risks:

(i) Liquidity risk

Liquidity risk is the risk that the organization may not be able to meet its financial obligations as they become due. The organization manages its liquidity risk by monitoring and managing the cash requirements to ensure the organization has sufficient funds to meet its operational requirements.

(ii) Credit risk

The organization is exposed to credit risk in the event of non-payment by contributors in connection with its accounts receivable. The exposure to credit risk is the carrying value of accounts receivable on the statement of financial position.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The company is exposed to interest rate risk.

Interest rate risk

The organization is exposed to interest rate risk as a result of its short-term investments. However, the risk associated with these investments is low, since these assets are guaranteed investment securities.

(c) Comparative figures

The fiscal 2016 figures have been reclassified where necessary to conform to the presentation adopted in the current year.