

PROSPER CANADA
YEAR ENDED MARCH 31, 2018

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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, 2018 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, 2018 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.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
July 12, 2018

PROSPER CANADA

STATEMENT OF OPERATIONS

	First										2017		
	Core	FEPS	Ontario FEC	National FEC	Financial Literacy for Newcomers	Financial Wellness	Benefit Screening Tool	The Centre	Financial Coaching	Tax Benefits Research		Equipping Financial Educators	ABLE Conference (Note 4)
For the year ended March 31,	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues													
Donations	11,286	-	-	-	-	-	1,108,987	-	-	-	-	-	1,120,273
Grants	27,856	730,000	1,135,452	1,165,112	305,970	186,438	-	112,328	95,340	72,876	-	-	3,949,760
Consulting	167,523	-	-	-	-	-	-	-	-	-	-	-	167,523
Interest and sundry	26,570	-	-	-	-	-	-	-	-	-	-	-	204,470
	233,235	730,000	1,135,452	1,165,112	305,970	186,438	1,108,987	112,328	95,340	72,876	-	-	26,570
													22,485
													5,264,126
													4,466,251
Expenditures													
Program delivery fees	-	600,000	684,317	807,653	41,400	54,891	-	24,000	-	-	-	-	2,212,261
Wages and benefits	19,058	83,508	187,428	227,796	224,311	98,188	873,689	63,482	40,707	41,020	40,000	-	1,976,172
Program consulting	47,984	28,495	165,668	58,104	5,306	1,013	95,460	775	38,043	1,000	10,091	-	458,472
Travel and meetings	15,431	6,398	28,945	38,679	9,590	12,208	20,507	178	1,763	10,563	11,505	-	156,779
Rent	(857)	4,200	9,000	12,710	9,377	13,400	77,535	5,000	2,000	7,200	-	-	139,565
Website/web-based solutions development	9,299	-	28,791	-	140	-	1,315	-	-	-	4,547	-	64,149
Organizational development Printing/graphic design expenses	62,041	-	-	-	-	-	-	-	-	-	-	-	62,041
Amortization	2,748	-	17,904	-	3,320	292	5,403	9,355	90	11,849	2,426	-	61,103
Honorarium	37,052	-	-	-	6,260	-	-	4,194	-	-	-	-	37,052
Telephone and internet	55	-	2,350	-	1,812	445	4,739	2,044	11,200	1,128	-	-	31,608
Office and general	2,378	4,800	1,799	7,253	1,812	2,401	4,739	800	240	98	793	-	23,520
Professional development	5,047	-	3,600	6,716	1,054	1,200	7,301	800	690	18	-	-	26,522
Equipment	20,000	-	-	-	2,400	2,400	-	-	-	-	-	-	20,000
Audit and legal	(919)	-	3,600	6,201	1,000	-	4,178	2,000	-	-	-	-	19,860
Promotion	4,777	-	1,000	-	-	-	7,275	500	-	-	-	-	31,891
Dues, fees, licenses, memberships	3,242	2,599	1,050	-	-	-	2,933	-	-	-	-	-	14,552
Resource materials	3,870	-	-	-	-	-	5,363	-	-	-	-	-	9,824
	2,029	-	-	-	-	-	3,289	-	607	-	-	-	9,233
	233,235	730,000	1,135,452	1,165,112	305,970	186,438	1,108,987	112,328	95,340	72,876	69,302	-	5,333,428
													4,362,732
Excess (deficiency) of revenues over expenses for the year													
	-	-	-	-	-	-	-	-	-	-	(69,302)	(69,302)	(69,302)
													103,519

See accompanying notes.

PROSPER CANADA

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31,	Unrestricted \$	Internally restricted \$	2018 Total \$	2017 Total \$
Beginning of year	128,135	1,100,000	1,228,135	1,124,616
Excess (deficiency) of revenues over expenses for the year	(69,302)	-	(69,302)	103,519
End of year	58,833	1,100,000	1,158,833	1,228,135

See accompanying notes.

PROSPER CANADA
STATEMENT OF CASH FLOW

For the year ended March 31,	2018 \$	2017 \$
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(69,302)	103,519
Item not involving cash Amortization of capital assets	37,052	43,861
Working capital (required by) from operations	(32,250)	147,380
Net change in non-cash working capital balances related to operations	(1,020,711)	731,499
Cash (required by) from operations	(1,052,961)	878,879
Investing activities		
Acquisition of capital assets	(7,075)	(40,249)
Short-term investments	(702,932)	(304,737)
	(710,007)	(344,986)
Change in cash and cash equivalents during the year	(1,762,968)	533,893
Cash and cash equivalents		
Beginning of year	2,833,412	2,299,519
End of year	1,070,444	2,833,412

See accompanying notes.

PROSPER CANADA
STATEMENT OF FINANCIAL POSITION

As at March 31,	2018 \$	2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,070,444	2,833,412
Short-term investments (Note 2)	1,311,569	608,637
Accounts receivable (Note 5)	159,885	165,237
Other receivables	60,302	62,355
HST rebate receivable	65,761	53,559
Prepaid expenses and deposits	17,299	18,183
	2,685,260	3,741,383
Capital assets (Note 3)	34,507	64,484
	2,719,767	3,805,867
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	402,143	774,216
Deferred revenue - conference (Note 4)	103,300	-
- grants (Note 5)	1,055,491	1,803,516
	1,560,934	2,577,732
NET ASSETS		
Unrestricted	58,833	128,135
Internally restricted		
Operating reserve fund	600,000	600,000
Capacity building reserve fund	500,000	500,000
	1,100,000	1,100,000
	1,158,833	1,228,135
	2,719,767	3,805,867

Other information (Note 6)

See accompanying notes.

Approved on behalf of the Board:



Chair Audit Committee

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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.

Ticket sales and event sponsorships are recognized when the corresponding event occurs.

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

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

(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
- Unrestricted: reflects the cumulative net excess of revenues over expenses in excess of any funds internally restricted as described above.

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 Future Planning Tool in partnership with Plan Institute and the Scaling Financial Empowerment funded by the J.W. McConnell Family Foundation.

Financial Empowerment and Problem Solving Program ("FEPS"): is funded by the Ontario Ministry of Community and Social Services. Building on the expansion and replication of the program over 2015-2017, the FEPS program helps Ontarians living on low incomes to improve their financial situation by accessing government income transfers and building their capacity for financial security.

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.

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

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

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

Expanding Financial Empowerment for Newcomers project: is funded by Immigration, Refugees and Citizenship Canada (IRCC). This three-year project aims to provide frontline staff at settlement agencies with training and resources to enable them to accurately assess newcomers' financial literacy, connect Newcomers to appropriate information and help them plan financially for successful settlement.

Ontario 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.

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

The Prosper Canada Centre for Financial Literacy ("the Centre"): is co-founded and funded by TD Bank Group. The renewal gift for three years (Jan 1, 2018 to Dec 31, 2020) will help the Centre to reach its goal of building the financial capability of one million Canadians living on low incomes by 2020.

Financial Coaching for People on Low Incomes (2015-2017): 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.

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

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

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

Equipping Financial Educators: is a two-year project funded by Investment Industry Regulatory Organization of Canada (IIROC) to develop evidence-based advice for financial educators, helping them to better equip Canadians to build financial well-being in the face of disruptive new forces and opportunities.

2018 ABLE Financial Empowerment Conference: a national biennial conference for all stakeholders interested in fostering financial empowerment for people who live on low incomes. The 2018 ABLE Financial Empowerment conference is hosted by the ABLE Steering Committee through the support of Prosper Canada and Family Services of Greater Vancouver.

(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

1. Significant accounting policies (cont'd)

(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.

(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 and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities, and deferred revenue.

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

2. Short-term investments

	2018	2017
	\$	\$
Guaranteed investment certificates	1,311,569	608,637

The guaranteed investment certificates bear a yield to maturity of 1.10% to 1.90% (2017 - 0.950% to 1.00%) with staggered maturity dates from June 8, 2018 to September 22, 2022 (2017- June 8, 2018 to September 30, 2019).

3. Capital assets

	Cost \$	Accumulated amortization \$	Net Book Value	
			2018 \$	2017 \$
Furniture and fixtures	39,012	22,048	16,964	18,776
Computer equipment and software	57,462	55,139	2,323	26,683
Leasehold improvements	63,640	48,420	15,220	19,025
	160,114	125,607	34,507	64,484

4. Deferred revenue - conference

The balance relates to the 2018 ABLE Financial Empowerment conference which was held in May 2018. Ticket sales and conference sponsorships of \$103,300 received as of year end have been deferred and will be recognized in revenue in fiscal 2019, while expenses of \$69,302 have been incurred and reflected in the current fiscal year.

PROSPER CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

5. Deferred revenue - grants

The organization records restricted contributions as deferred revenue until it is expended for the purpose of the related grant. The change in the amount of deferred grants for fiscal 2018 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	49,849	-	80,199	(113,579)	-	16,469
The Centre	1,163,418	-	289,432	(1,108,987)	101,059	444,922
Scaling Financial Empowerment	5,356	-	22,500	(27,856)	-	-
Financial Coaching	112,328	-	-	(112,328)	-	-
FEPS	-	145,003	880,000	(730,000)	-	4,997
Ontario FEC	194,626	-	882,000	(1,135,452)	58,826	-
National FEC	-	234	1,180,832	(1,165,112)	-	15,486
First Nations Financial Wellness	105,679	-	247,100	(186,438)	-	166,341
Tax Benefits Research	45,870	-	108,825	(95,340)	-	59,355
Match fund	48,807	-	-	-	-	48,807
Financial Literacy for Newcomers	-	20,000	325,970	(305,970)	-	-
Benefit Screening Tool	77,583	-	171,280	(118,388)	-	130,475
Equipping Financial Educators	-	-	241,515	(72,876)	-	168,639
	1,803,516	165,237	4,429,653	(5,172,326)	159,885	1,055,491

6. Other Information

(a) *Lease obligation*

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

	\$
2019	142,600
2020	142,600
2021	118,800
	<u>404,000</u>

6. 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 organization is exposed only 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.