

**PROSPER CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2016**

PROSPER CANADA
MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Prosper Canada

We have audited the accompanying financial statements of Prosper Canada, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Prosper Canada as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Akler, Browning, Frimet
& Landzberg LLP*

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO, CANADA
JUNE 27, 2016

PROSPER CANADA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents (Note 2) | 2,299,519 | 1,519,401 |
| Term deposits | 303,900 | 898,316 |
| Grant receivable | - | 8,068 |
| HST rebate receivable | 51,600 | 37,772 |
| Sundry receivables | 125,692 | 64,602 |
| Prepays and deposits | <u>44,502</u> | <u>37,714</u> |
| | 2,825,213 | 2,565,873 |
| PROPERTY AND EQUIPMENT (Note 3) | <u>68,096</u> | <u>37,838</u> |
| | <u>2,893,309</u> | <u>2,603,711</u> |
| LIABILITIES AND FUND BALANCES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 176,107 | 184,978 |
| Deferred contributions (Note 4) | <u>1,592,586</u> | <u>1,973,663</u> |
| | <u>1,768,693</u> | <u>2,158,641</u> |
| FUND BALANCES | | |
| Invested in property and equipment | 68,096 | 37,838 |
| Internally restricted capacity building | 500,000 | - |
| Unrestricted | <u>556,520</u> | <u>407,232</u> |
| | <u>1,124,616</u> | <u>445,070</u> |
| | <u>2,893,309</u> | <u>2,603,711</u> |

APPROVED ON BEHALF OF THE BOARD:



CHAIR OF AUDIT COMMITTEE

PROSPER CANADA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016

| | Invested In Property and Equipment \$ | Internally Restricted Capacity Building \$ | Unrestricted \$ | 2016 Total \$ | 2015 Total \$ |
|--------------------------------------|--|--|--------------------|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR | 37,838 | - | 407,232 | 445,070 | 427,271 |
| Investment in property and equipment | 60,622 | - | (60,622) | - | - |
| Excess of revenues over expenditures | <u>(30,364)</u> | <u>500,000</u> | <u>209,910</u> | <u>679,546</u> | <u>17,799</u> |
| BALANCE, END OF YEAR | <u>68,096</u> | <u>500,000</u> | <u>556,520</u> | <u>1,124,616</u> | <u>445,070</u> |

See accompanying notes to the financial statements

PROSPER CANADA
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

| | Prosper Canada Core | TD Financial Literacy Grant Fund | Capacity Building | National Evaluation Framework | Scaling Financial Empowerment | Financial Coaching | Prosper Canada CFL | Ontario First Nations Financial Wellness | FELS Newcomers | Financial Literacy for Newcomers | FEC | 2016 | 2015 |
|--|---------------------------|--|----------------------|-------------------------------------|-------------------------------------|-----------------------|--------------------------|--|-------------------|--|---------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUES | | | | | | | | | | | | | |
| Donations | 35,682 | - | 500,000 | - | 162,386 | 168,746 | 817,068 | - | - | - | - | 1,683,882 | 305,621 |
| Grants | 2,640 | - | - | - | - | - | - | 186,633 | 575,090 | 221,737 | 64,154 | 1,050,254 | 410,921 |
| Financial Literacy Fund | - | 663,455 | - | - | - | - | - | - | - | - | - | 663,455 | 3,198,289 |
| Conference sponsorship/fees | 292,889 | - | - | - | - | - | - | - | - | - | - | 292,889 | - |
| Consulting | 500 | - | - | 112,894 | - | - | 177,075 | - | - | - | - | 290,469 | 202,595 |
| Interest and sundry | 7,877 | - | - | - | - | - | 5,214 | - | - | - | - | 13,091 | 43,521 |
| | <u>339,588</u> | <u>663,455</u> | <u>500,000</u> | <u>112,894</u> | <u>162,386</u> | <u>168,746</u> | <u>999,357</u> | <u>186,633</u> | <u>575,090</u> | <u>221,737</u> | <u>64,154</u> | <u>3,994,040</u> | <u>4,160,947</u> |
| | (52,848) | 151,286 | - | 63,000 | 83,708 | 121,492 | 749,941 | 81,026 | 108,540 | 83,783 | 54,924 | 1,444,852 | 1,116,107 |
| Wages and benefits | - | 123,723 | - | - | 72,773 | 26,984 | 8,000 | 62,825 | 431,863 | 74,997 | - | 577,685 | 109,037 |
| Program delivery | 31,007 | 373,391 | - | 48,735 | - | - | 57,697 | 8,600 | 953 | 32,965 | 151 | 403,588 | 218,982 |
| Program consulting | - | 4,679 | - | - | 89 | 3,636 | - | - | 8,058 | 4,647 | - | 373,391 | 2,307,607 |
| Grant disbursement | 99,528 | 2,268 | - | - | 2,200 | 5,400 | 24,238 | 13,740 | 4,500 | 9,360 | 65 | 158,680 | 27,301 |
| Travel and meetings | 1,831 | 1,466 | - | 653 | 2,025 | 5,500 | 73,289 | 12,880 | 26 | 3,068 | 3,059 | 114,787 | 108,691 |
| Rent | 15,157 | 710 | - | 473 | 1,078 | 4,500 | 20,497 | 2,020 | 2,576 | 4,600 | 2,145 | 51,372 | 41,761 |
| Office and general | (2,106) | - | - | - | - | - | 21,670 | 2,400 | - | - | - | 38,046 | 18,236 |
| Equipment | 30,364 | - | - | - | - | - | - | - | 15,000 | 4,476 | - | 30,364 | 14,126 |
| Amortization | - | - | - | - | - | - | 8,971 | - | - | - | - | 28,347 | 64,615 |
| Website/web-based solutions development | 18,071 | 30 | - | - | 476 | 306 | 6,928 | 584 | - | 1,551 | - | 27,946 | 13,916 |
| Printing and stationery | 961 | 5,002 | - | - | - | - | 13,000 | - | - | 1,200 | - | 20,788 | 20,992 |
| Professional fees | 3,340 | 900 | - | 33 | 37 | 746 | 6,630 | 2,400 | 3,574 | 1,090 | 625 | 19,955 | 13,937 |
| Telephone and internet | 5,140 | - | - | - | - | - | 6,776 | 158 | - | - | 1,205 | 13,094 | 6,587 |
| Promotion | 4,341 | - | - | - | - | - | - | - | - | - | - | 4,341 | 43,175 |
| Match funds | 3,898 | - | - | - | - | - | - | - | - | - | - | 3,898 | 15,538 |
| Organization development | 1,358 | - | - | - | - | 182 | 1,820 | - | - | - | - | 3,360 | 2,540 |
| Resource materials | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | <u>160,042</u> | <u>663,455</u> | <u>500,000</u> | <u>112,894</u> | <u>162,386</u> | <u>168,746</u> | <u>999,357</u> | <u>186,633</u> | <u>575,090</u> | <u>221,737</u> | <u>64,154</u> | <u>3,314,494</u> | <u>4,143,148</u> |
| EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR | <u>179,546</u> | - | - | - | - | - | - | - | - | - | - | <u>679,546</u> | <u>17,799</u> |

See accompanying notes to the financial statements

PROSPER CANADA
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

| | <u>2016</u> | <u>2015</u> |
|---|------------------|--------------------|
| | \$ | \$ |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures for the year | 679,546 | 17,799 |
| Adjustment for non-cash item | | |
| Amortization | <u>30,364</u> | <u>14,126</u> |
| | 709,910 | 31,925 |
| Net changes in non-cash working capital items | | |
| Grants receivable | 8,068 | 159,302 |
| HST rebate receivable | (13,828) | 13,631 |
| Sundry receivables | (61,090) | (13,041) |
| Prepays and deposits | (6,788) | (24,519) |
| Accounts payable and accrued liabilities | (8,871) | (77,698) |
| Deferred contributions | <u>(381,077)</u> | <u>(2,030,558)</u> |
| Cash Provided By (Used In) Operating Activities | <u>246,324</u> | <u>(1,940,958)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Term deposits | 594,416 | (475,754) |
| TD Financial Literacy Funds | - | 2,694,933 |
| Purchase of property and equipment | <u>(60,622)</u> | <u>(12,443)</u> |
| Cash Provided By Investing Activities | <u>533,794</u> | <u>2,206,736</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 780,118 | 265,778 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,519,401</u> | <u>1,253,623</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>2,299,519</u> | <u>1,519,401</u> |

See accompanying notes to the financial statements

Nature Of Operations

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 of unemployment and welfare dependency in Canada and has evolved into an innovator and producer/manager of effective Canadian self-sufficiency policies and programs.

Note 1: Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

- (a) **Invested in Property and Equipment** reports the assets and expenditures related to the organization's property and equipment.
- (b) **The Prosper Canada Core Fund** accounts for the organization's strategic planning, fundraising and administrative activities. This year the Core Fund includes the ABLE Financial Empowerment Conference - a national biannual conference for all stakeholders interested in fostering financial empowerment for people living on low incomes. The conference was hosted by Prosper Canada.
- (c) **The TD Financial Literacy Grant Fund** represents funding for the purpose of making grants to charitable or other not-for-profit organizations who serve low income and otherwise economically disadvantaged persons and groups in Canada to support and promote financial literacy. Funds expensed in the current year of the grant fund are for grant fund management and grant disbursement.

The TD Financial Literacy Grant Fund has been fully disbursed over a five year period ending December 31, 2015 and has ceased operations.

Note 1: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

- (d) **Capacity Building** represents internally restricted funds established for the purpose of financing board approved investments to enhance organizational capacity.
- (e) **National Evaluation Framework** is funded by Canada Bankers Association and conducted in partnership with Financial Consumer Agency of Canada to strengthen financial literacy program evaluation in Canada. Over the next two years, the organization will develop a database of evidence based financial literacy outcomes and indicators with an accompanying online toolkit that all organizations engaged in financial education can use to develop their own tailored evaluation plans.
- (f) **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.
- (g) **Financial Coaching: The MPower of Money Coaching Program** is a one year pilot project developed by Prosper Canada and delivered through three City of Toronto employment centres. Launched in May 2015, the program helps participating individuals who are on social assistance and/or seeking employment to identify, plan for, and achieve personal financial goals supported by volunteer professional financial planners trained to provide financial coaching to people with low-incomes. The pilot program is funded by a consortium of companies including: AGF, Bridgehouse Asset Managers, Dynamic Funds, Franklin Templeton Investments, IA Clarington Investments Inc., The Investment Funds Institute of Canada, SunLife Global Investments, and Zavitz Insurance, PWC Management Services LP and Primerica; **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.

Note 1: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

- (h) **The Prosper Canada Centre for Financial Literacy ("CFL")** was co-founded by the organization and TD Bank Group and is funded by various public and private supporters. Funds are restricted to building and developing financial literacy among low income Canadians. The CFL's initial funding of \$3,500,000 was provided by the CFL co-founder TD Bank Group effective July 9, 2009 to support the activities of the CFL over a five year period ending December 31, 2014. TD Bank Group renewed its commitment to the Centre with \$3 million in November 2014. Provided over the next three years, the gift will help the Centre to reach its goal of building the financial capability of one million vulnerable Canadians by 2020.
- (i) **Ontario First Nations Financial Wellness** is funded by the Ontario Trillium Foundation to develop and pilot programs that support the financial well being of First nation community members in Ontario. Conducted in partnership with AFOA Canada, the project aims to develop and pilot sustainable financial literacy and coaching programs in four First nations communities in northern and Southern Ontario, as well as other financial supports identified by the participating communities over a two year period. In the third year of the project, we'll use the knowledge, programs and resources we develop to train financial wellness leaders in 12 additional First Nations communities, and make these freely available online for all First nations communities interested in offering similar programs in their communities.
- (j) **Financial Empowerment and Problem Solving Program (FEPS)** is funded by the Ontario Ministry of Community and Social Services, 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 expand to two additional Ontario communities.
- (k) **The Financial Literacy for Newcomers project** is funded by Citizenship and Immigration Canada. This 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.

Note 1: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

- (1) **Financial Empowerment Champions (FEC)** is funded by the Government of Canada's Social Development Partnerships Program to work in collaboration with at least 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 over one million Canadians living on low incomes.

Property and Equipment

Property and equipment are accounted for at cost and amortized over their estimated useful lives using the following methods and rates or duration:

| | | |
|---------------------------------|---------|-------------------|
| Furniture and equipment | 20% | declining balance |
| Computer equipment and software | 2 years | straight-line |

Amortization of leaseholds is recorded over the remaining term of the lease.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. 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, interest income and other revenues are recognized on an accrual basis.

Allocation of Expenses

Project expenditures include both costs that are specifically identifiable with the project and costs that have been allocated to the project. Salaries and employee benefits are allocated based on management's estimate of time spent by staff on each project. Certain other supplies and services are allocated based on management's estimate of the usage of such resources by the project.

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 of changes in value.

Note 1: Significant Accounting Policies - cont'd

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered.

The main estimates relate to the impairment of financial assets and the useful life of property and equipment.

Financial Instruments

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

The organization subsequently measures all its financial assets and financial liabilities at cost or 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 (deficiency) of revenues over expenditures.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits, grant receivable, HST rebate receivable and sundry receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The organization has not designated any financial asset or financial liability to be measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators for impairment. The amount of any write-down is recognized in excess (deficiency) of revenues over expenditures. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Note 2: Cash and Cash Equivalents

| | <u>2016</u> | <u>2015</u> |
|--------------------|------------------|------------------|
| | \$ | \$ |
| Cash | 895,185 | 1,519,401 |
| Money market funds | <u>1,404,334</u> | <u>-</u> |
| | <u>2,299,519</u> | <u>1,519,401</u> |

Note 3: Property And Equipment

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net 2016</u> | <u>Net 2015</u> |
|------------------------------------|----------------|-------------------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Furniture and equipment | 47,957 | 29,743 | 18,214 | 10,615 |
| Computer equipment and software | 29,683 | 21,063 | 8,620 | 6,222 |
| Leaseholds | <u>63,640</u> | <u>22,378</u> | <u>41,262</u> | <u>21,001</u> |
| | <u>141,280</u> | <u>73,184</u> | <u>68,096</u> | <u>37,838</u> |

Note 4: Deferred Contributions

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| | \$ | \$ |
| Prosper Canada Centre for Financial Literacy | 1,088,130 | 961,140 |
| FEC | 203,502 | - |
| Financial Coaching - Capital One | 107,059 | - |
| FEPS | 99,910 | - |
| Match Fund | 67,576 | 71,964 |
| Ontario First Nations Financial Wellness | 26,409 | 88,042 |
| TD Financial Literacy Grant Fund | - | 663,454 |
| Scaling Financial Empowerment | - | 149,063 |
| ABLE Conference | - | <u>40,000</u> |
| | <u>1,592,586</u> | <u>1,973,663</u> |

Note 5: Contractual Obligations

The organization is obligated under a premises lease to total minimum rentals, (excluding certain occupancy charges and property taxes) as follows:

| | |
|------|-------------------|
| 2017 | \$ 67,061 |
| 2018 | 68,584 |
| 2019 | 70,867 |
| 2020 | 72,845 |
| 2021 | <u>61,316</u> |
| | <u>\$ 340,673</u> |

Note 6: Bank Operating Loan

A demand operating loan to a maximum of \$50,000 is available to the organization. The operating loan bears interest at a rate of prime plus 1.75% per annum and is unsecured. As at March 31, 2016, the loan balance amounts to \$NIL.

Note 7: Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organizations main credit risk relate to its grants receivable, sundry receivables and term deposits. The organization assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive and term deposits are invested with large financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk in respect to its trade accounts payable. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

(c) Market risk

Market risk is the risk that the fair value of 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 mainly exposed to interest rate risk..

(e) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject the organization to risk of changes in fair value. The exposure to this risk also fluctuates as the quantity of fixed rate instruments held changes from year to year.