

PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT
INNOVATIONS)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2014

PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)
MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Prosper Canada (formerly Social and Enterprise Development Innovations)

We have audited the accompanying financial statements of Prosper Canada, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and 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, 2014 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 25, 2014

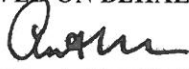
**PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)**

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

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	<u>2014</u> \$	<u>2013</u> \$
ASSETS		
CURRENT		
Cash	1,253,623	614,545
Term deposits	422,562	604,782
TD financial literacy funds (Note 3)	1,834,357	5,741,976
Grants receivable	167,370	248,685
HST rebate receivable	51,403	48,765
Sundry receivables	51,561	16,271
Prepays and deposits	<u>13,195</u>	<u>13,207</u>
	3,794,071	7,288,231
TD FINANCIAL LITERACY FUNDS (Note 3)	860,576	2,122,558
PROPERTY AND EQUIPMENT (Note 4)	<u>39,521</u>	<u>43,705</u>
	<u>4,694,168</u>	<u>9,454,494</u>
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	262,676	209,917
Deferred contributions (Note 5)	<u>3,259,327</u>	<u>3,721,886</u>
	3,522,003	3,931,803
DEFERRED CONTRIBUTIONS (Note 5)	<u>744,894</u>	<u>4,954,592</u>
	<u>4,266,897</u>	<u>8,886,395</u>
FUND BALANCES		
Net assets invested in property and equipment	39,521	43,705
Unrestricted net assets	<u>387,750</u>	<u>524,394</u>
	<u>427,271</u>	<u>568,099</u>
	<u>4,694,168</u>	<u>9,454,494</u>

APPROVED ON BEHALF OF THE BOARD:


CHAIR OF AUDIT COMMITTEE

See accompanying notes to the financial statements

**PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)**

STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2014

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	Invested In Property and Equipment \$	Unrestricted \$	2014 Total \$	2013 Total \$
BALANCE, BEGINNING OF YEAR	43,705	524,394	568,099	566,030
Investment in property and equipment	5,622	(5,622)	-	-
(Deficiency) excess of revenues over expenditures	<u>(9,806)</u>	<u>(131,022)</u>	<u>(140,828)</u>	<u>2,069</u>
BALANCE, END OF YEAR	<u>39,521</u>	<u>387,750</u>	<u>427,271</u>	<u>568,099</u>

See accompanying notes to the financial statements

PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)

STATEMENT OF OPERATIONS
MARCH 31, 2014

	Prosper Canada Core \$	TD Financial Literacy Grant Fund \$	ILA Match Fund \$	ILA 2013 \$	START \$	Prosper Canada CFL \$	Trillium Financial Literacy \$	Financial Literacy for Newcomers \$	SEDI Awards \$	2014 \$	2013 \$
REVENUES											
Financial Literacy Fund											
Grants	-	3,746,608	-	-	-	870,228	-	-	-	4,616,836	2,499,711
Interest	-	-	51,718	199,867	150,307	-	52,256	-	-	726,554	1,067,203
Event tickets	-	89,370	-	-	-	13,246	-	-	-	102,616	176,743
Consulting	-	-	-	-	-	43,028	-	-	75,887	75,887	-
Donations	3,283	-	11,791	-	-	481	-	-	7,972	43,028	5,033
Sundry	14,638	-	-	-	-	-	-	-	-	23,527	31,345
	<u>17,921</u>	<u>3,835,978</u>	<u>63,509</u>	<u>199,867</u>	<u>150,307</u>	<u>926,983</u>	<u>52,256</u>	<u>272,406</u>	<u>83,859</u>	<u>5,603,086</u>	<u>3,791,972</u>
EXPENDITURES											
Grant disbursement	-	3,606,478	-	-	-	-	-	-	-	3,606,478	1,737,064
Wages and benefits	44,705	198,053	9,275	119,235	27,611	609,961	-	-	-	1,137,165	1,195,502
Program consulting	373	6,811	16,193	16,566	4,989	154,922	11,855	128,325	-	256,265	179,088
Program delivery	-	-	-	42,156	37,250	13,964	7,100	32,215	12,341	185,470	266,025
Match funds	-	-	37,816	-	76,727	-	-	85,000	-	185,470	266,025
Rent	22,722	7,720	-	9,000	3,000	48,300	-	9,360	-	114,543	58,464
Organization development	79,873	-	-	-	-	-	-	-	-	100,102	96,612
Telephone and internet	(2,361)	2,474	-	3,098	70	31,085	29,635	1,263	-	79,873	10,571
Travel and meetings	4,228	836	-	1,418	-	23,666	2,544	4,387	-	65,264	55,207
Office and general	7,149	6,206	-	3,775	61	12,532	1,122	1,588	2,238	39,317	54,936
Special events	-	-	-	-	-	-	-	-	655	33,088	32,883
Equipment	3,858	2,400	-	2,733	599	8,217	-	-	25,880	25,880	11,693
Professional fees	10,926	5,000	-	-	-	5,000	-	-	-	23,735	13,569
Printing and stationery	-	-	-	1,886	-	14,999	-	1,200	-	22,126	19,245
Promotion	-	-	225	-	-	2,234	-	1,578	2,567	21,030	30,641
Amortization	9,806	-	-	-	-	-	-	-	15,816	18,275	7,570
Resource materials	1,832	-	-	-	-	2,103	-	-	-	9,806	13,899
GST/HST absorbed	-	-	-	-	-	-	-	-	-	3,935	4,245
	<u>183,111</u>	<u>3,835,978</u>	<u>63,509</u>	<u>199,867</u>	<u>150,307</u>	<u>926,983</u>	<u>52,256</u>	<u>272,406</u>	<u>59,497</u>	<u>5,743,914</u>	<u>3,789,903</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	<u>(165,190)</u>								<u>24,362</u>	<u>(140,828)</u>	<u>2,069</u>

See accompanying notes to the financial statements

**PROSPER CANADA
(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)**

STATEMENT OF CASH FLOWS
MARCH 31, 2014

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	<u>2014</u> \$	<u>2013</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenditures	(140,828)	2,069
Adjustment for non-cash items		
Amortization	<u>9,806</u>	<u>13,899</u>
	(131,022)	15,968
Net changes in non-cash working capital items:		
Grants receivable	81,315	5,500
HST rebate receivable	(2,638)	7,498
Sundry receivables	(35,290)	(6,879)
Prepays and deposits	12	13,353
Accounts payable and accrued liabilities	52,759	(43,339)
Deferred contributions	<u>(4,672,257)</u>	<u>(2,572,972)</u>
Cash Used In Operating Activities	<u>(4,707,121)</u>	<u>(2,580,871)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposits	182,220	13,791
TD Financial Literacy Funds	5,169,601	2,513,801
Purchase of property and equipment	<u>(5,622)</u>	<u>(47,260)</u>
Cash Provided By Investing Activities	<u>5,346,199</u>	<u>2,480,332</u>
NET INCREASE (DECREASE) IN CASH	639,078	(100,539)
CASH, BEGINNING OF YEAR	<u>614,545</u>	<u>715,084</u>
CASH, END OF YEAR	<u><u>1,253,623</u></u>	<u><u>614,545</u></u>

See accompanying notes to the financial statements

**PROSPER CANADA
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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Note 1: Nature Of Operations

Prosper Canada (formerly Social and Enterprise Development Innovations) 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 2: 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, liabilities, revenues and expenditures related to the organization's property and equipment.
- (b) **The Prosper Canada Core Fund** accounts for the organization's strategic planning and administrative activities. This fund reports unrestricted resources and internally restricted operating resources.
- (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. The TD Financial Literacy Grant Fund shall be disbursed on or before December 31, 2015. Funds expensed in the current year of the grant fund are for grant fund management and grant disbursement.

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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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Note 2: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

- (d) **The Independent Living Account ("ILA") program**, combining financial literacy training with incentivized savings accounts, enables low-income people living in Toronto transitional and shelter housing facilities to acquire the financial knowledge, skills and savings they need to move into secure housing and expand their economic opportunities. Its operation and administrative costs were funded by the City of Toronto. Match funds were provided by TD-Dominion Bank and other individual donors. This program operated in 6 transitional housing facilities/shelters.
- (e) **START (Saving To Achieve Real Transformation) previously named The Ontario Opportunities Accounts** is a pilot project that aims to enrol up to 500 low-income Ontarians currently living in social housing or on the waiting list for social housing in three locations in the province. The project is based on the tested assumption that participants will respond positively to financial incentives (matched savings) to set and achieve personal goals and prospects. In addition to matched savings incentives, financial literacy training and case management supports are provided to participants by Community Partners. Personal savings accounts and deposits are held at a local financial institution.
- (f) **The Prosper Canada Centre for Financial Literacy ("CFL") (formerly the Canadian Centre for Financial Literacy)** was created by the organization and TD Bank Financial 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 Financial Group effective July 9, 2009 to support the activities of the CFL over a five year period ending December 31, 2014. The purpose of the CFL is to expand opportunities for increasing the financial literacy of low income and otherwise economically disadvantaged persons and groups in Canada.

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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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Note 2: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

- (g) **The Trillium Financial Literacy** in Northern Ontario project is funded by The Ontario Trillium Foundation and is an initiative that will work with more than 75 organizations in 15 Ontario communities to build the capacity of 100 trainers and to deliver financial literacy support to 2,000 low income Ontarians.
- (h) **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.
- (i) **The Financial Literacy Evaluation** project has as its key objective the development of an evaluation strategy for financial literacy initiatives in Canada.
- (j) **SEDI Awards** is an event to celebrate the drive, strength and passion of the human spirit; to acknowledge the achievements of extraordinary people who have, through the organizations initiatives, found a way to overcome challenges such as unemployment, poverty or a disability; to recognize front line agents who help deliver the organizations programs and make a difference in the lives of thousands of low income Canadians.

Property and Equipment

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

Furniture and equipment	20%	declining balance
Computer equipment and software	50%	straight-line

Amortization of leasehold improvements is recorded over the remaining term of the lease.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 2: Significant Accounting Policies - cont'd

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 and interest income 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.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures.

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

**PROSPER CANADA
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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Note 2: Significant Accounting Policies - cont'd

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, term deposits, TD financial literacy funds, grants 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 3: TD Financial Literacy Funds

TD Financial Literacy Funds consist of cash and fixed income Canadian instruments and are externally restricted for use as follows:

	<u>CFL Operating Fund</u> \$	<u>TD Financial Literacy Grant Fund</u> \$	<u>March 31 2014</u> \$	<u>March 31 2013</u> \$
Cash	318,981	33,031	352,012	824,063
Fixed income investments	<u>623,877</u>	<u>1,719,044</u>	<u>2,342,921</u>	<u>7,040,471</u>
	<u>942,858</u>	<u>1,752,075</u>	<u>2,694,933</u>	<u>7,864,534</u>

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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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Note 4: Property And Equipment

	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
	\$	\$	2014	2013
			\$	\$
Furniture and equipment	53,834	40,565	13,269	10,262
Computer equipment and software	32,978	32,978	-	628
Leaseholds	<u>36,461</u>	<u>10,209</u>	<u>26,252</u>	<u>32,815</u>
	<u>123,273</u>	<u>83,752</u>	<u>39,521</u>	<u>43,705</u>

Note 5: Deferred Contributions

Deferred contributions represent unspent resources received in the current or a prior period that is related to a period subsequent to the year end and consist of the following:

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Current portion</u>		
TD Financial Literacy Grant Fund	2,429,500	2,429,500
Prosper Canada CFL Operating Fund	687,349	1,094,488
Trillium Financial Literacy	-	52,256
ILA's Match Fund	110,751	119,260
Other	<u>31,727</u>	<u>26,382</u>
	<u>3,259,327</u>	<u>3,721,886</u>
<u>Long term portion</u>		
TD Financial Literacy Grant Fund	744,894	4,491,503
Prosper Canada CFL Operating Fund	-	<u>463,089</u>
	<u>744,894</u>	<u>4,954,592</u>

Note 6: Contractual Obligations

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

2015	\$ 49,169
2016	49,315
2017	51,011
2018	<u>21,282</u>
	<u>\$ 170,777</u>

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(FORMERLY SOCIAL AND ENTERPRISE DEVELOPMENT INNOVATIONS)**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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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 grants receivable were received soon after its fiscal year-end, the organization assesses, on a continuous basis, sundry receivables on the basis of amounts it is virtually certain to receive and term deposits are invested with large financial institutions. There has been no change to the risk exposure from the prior year.

(b) 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 does not have significant exposure to any of these types of risk.

(c) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization's exposure is dependent on its ability to repay trade creditors as they become due. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of donation revenue. There has been no change to the risk exposure from the prior year.

Note 8: Comparative Amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year operations.