Grant Thornton

Financial Statements

Rise Asset Development

April 30, 2020

Contents

GrantThornton

Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949

To the Board of Directors of
Rise Asset Development

Opinion

We have audited the financial statements of **Rise Asset Development** ("Rise"), which comprise the statement of financial position as at April 30, 2020, and the statements of operations and 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 **Rise** as at April 30, 2020, 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 ("ASNPO").

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 Rise in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these 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 ASNPO, 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.

In preparing the financial statements, management is responsible for assessing Rise'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 Rise or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Rise'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 Rise'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 Rise 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.

Grant Thornton LLP

Toronto, Canada
September 11, 2020

Chartered Professional Accountants
Licensed Public Accountant

Rise Asset Development
Statement of Operations and Changes in Net Assets
Year ended April 30

	Operating Fund	Externally Restricted Loan Capital Fund	**2020 Total**	2019 Total
Revenue				
Donations and fundraising	$ 1,390,439	$ 175,010	**$ 1,565,449**	$ 924,984
Loan forgiveness (Note 5)	-	650,000	**650,000**	-
Government funding				
Ontario Ministry of Children and Youth Services	166,600	-	**166,600**	166,600
Ontario Ministry of Health and Long-Term Care	125,000	-	**125,000**	185,000
Other	4,321	-	**4,321**	-
Interest from loans receivable	51,714	-	**51,714**	37,842
Interest from investments	7,138	-	**7,138**	6,378
	1,745,212	825,010	**2,570,222**	1,320,804
Expenses				
Administrative expenses				
Salaries and benefits	397,029	-	**397,029**	321,389
Rent and occupancy costs	41,712	-	**41,712**	28,292
Bookkeeping	18,414	-	**18,414**	14,072
Office and general	16,435	-	**16,435**	20,943
Audit and legal	15,697	-	**15,697**	12,919
Insurance	11,342	-	**11,342**	7,141
	500,629	-	**500,629**	404,756
Program expenses				
Program costs	627,472	-	**627,472**	459,537
Salaries and benefits	404,556	-	**404,556**	347,715
Bad debts	-	187,754	**187,754**	63,966
Marketing and promotion	84,351	-	**84,351**	33,234
Consultants	45,317	-	**45,317**	27,127
Symposium and event costs	30,180	-	**30,180**	16,139
Delivery	21,881	-	**21,881**	26,937
Professional development	2,890	-	**2,890**	5,975
	1,216,647	187,754	**1,404,401**	980,630
	1,717,276	187,754	**1,905,030**	1,385,386
Excess (deficiency) of revenue over expenses	27,936	637,256	**665,192**	(64,582)
Net assets, beginning of year	811,637	-	**811,637**	876,219
Net assets, end of year	$ 839,573	$ 637,256	**$ 1,476,829**	$ 811,637

See accompanying notes to the financial statements.

Rise Asset Development
Statement of Financial Position

April 30		**2020**		2019
Assets				
Current				
Cash	**$**	**543,053**	$	621,105
Short-term investments (Note 3)		**355,371**		351,895
Accounts receivable (Note 8)		**54,412**		16,616
Prepaid expenses		**3,850**		17,084
Current portion of loans receivable (Notes 4 and 8)		**162,033**		205,585
		1,118,719		1,212,285
Loans receivable (Notes 4 and 8)		**645,250**		671,989
	$	**1,763,969**	$	1,884,274
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**85,140**	$	72,845
Loan payable (Note 5)		**-**		574,960
Deferred revenue (Note 6)		**202,000**		424,832
		287,140		1,072,637
Net assets				
Operating		**839,573**		811,637
Externally restricted loan capital fund		**637,256**		-
		1,476,829		811,637
	$	**1,763,969**	$	1,884,274

On behalf of the Board of Directors

DocuSigned by:
David R Smith
07FDE364B04B476... Director

DocuSigned by:
8E9542CD87D041A... Director

See accompanying notes to the financial statements.

Rise Asset Development
Statement of Cash Flows

Year ended April 30	2020	2019
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenses	$ **665,192**	$ (64,582)
Item not involving cash		
Loan forgiveness (Note 5)	**(650,000)**	-
	15,192	(64,582)
Change in non-cash working capital items		
Accounts receivable	**(7,796)**	(485)
Prepaid expenses	**13,234**	(4,536)
Accounts payable and accrued liabilities	**12,295**	36,446
Deferred revenue	**(222,832)**	65,721
	(189,907)	32,564
Investing		
Receipt of loan payable	**75,040**	574,960
Increase in short-term investments	**(3,476)**	(170,790)
Net change in loans receivable	**40,291**	(198,386)
	111,855	205,784
Increase (decrease) in cash	**(78,052)**	238,348
Cash		
Beginning of year	**621,105**	382,757
End of year	$ **543,053**	$ 621,105

See accompanying notes to the financial statements.

1. Nature of operations

Rise Asset Development ("Rise") was incorporated without share capital by letters patent on May 22, 2009 under the Canada Corporations Act and continued under the Canada Not-for-profit Corporations Act effective September 15, 2014. Rise obtained the status of a registered charity on May 1, 2010. Rise is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

The purpose of Rise is to:

a) Relieve need amongst hard to employ persons recovering from a mental illness and addiction by providing training, mentoring, support services and micro-loans to assist them in obtaining self-employment or employment, and evaluating effectiveness.

b) Train and educate advisors and mentors on how to support persons with mental health and addiction issues and assist them in becoming self-employed or employed in the community.

c) Educate and increase public understanding of issues surrounding mental health and addiction and the supports needed to promote the self-sustainability of persons with mental health and addiction issues in the community.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by Rise and applied in these financial statements are as follows:

Fund accounting

Rise’s accounts are maintained in accordance with the principles of fund accounting, whereby net assets of Rise are classified for accounting and reporting purposes into funds to be used according to the directions of the donors or determined by Rise.

Operating fund
The operating fund accounts for the assets, liabilities, revenue and expenses of Rise related to its general operations and programs.

Externally restricted loan capital fund
The externally restricted loan capital fund consists of amounts received by donors to be specifically used to fund new loans.

2. Summary of significant accounting policies (continued)

Revenue recognition – change in accounting policy

Rise follows the restricted fund method of accounting for contributions. Externally restricted contributions with an associated externally restricted fund are recognized as revenue of that fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions for which there is no associated externally restricted fund are recorded as deferred revenue and recognized as revenue as the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

In prior years, Rise followed the deferral method of accounting. This change in accounting policy has been applied retroactively and has had no impact on the financial results of Rise for prior year.

Interest income is recognized as earned.

Use of estimates

Certain items in the preparation of the financial statements require management's best estimate. Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action.

These estimates are reviewed periodically and adjustments are made to the excess (deficiency) of revenue over expenses as appropriate in the year they become known. Estimates include the allowance for doubtful accounts related to accounts receivable and loans receivable and the deferral of revenue.

Financial instruments

Rise considers any contract creating a financial asset, liability or equity instrument as a financial instrument.

Rise's financial instruments consistent of cash, short-term investments, accounts receivable, loans receivable, accounts payable and loan payable. Rise initially measures its financial assets and liabilities at fair value. Rise subsequently measures all its financial assets and financial liabilities at amortized cost.

3. Short-term investments

Short-term investments consist of a guaranteed investment certificate (GIC) that bears interest at a rate of 0.75% per annum (2019 - 1.30%) and matures on November 15, 2020 (2019 - November 15, 2019).

4. Loans receivable

Rise provides micro-financing to men and women living with mental illness and addictions who are interested in pursuing self-employment. Interest rates charged on loans receivable is Royal Bank's prime rate plus 2.5% at the time the loan is entered into with all loans secured by the assets of the business and terms ranging from one to five years.

The following table summarizes the loans receivable for future years:

2021	$ 162,033
2022	164,002
2023	164,002
2024	140,682
2025	176,564
	$ 807,283

The loans receivable balance includes gross loans receivable of $907,283 (2019 - $888,690) net of allowance of doubtful accounts of $100,000 (2019 - $11,116).

5. Loan payable

In fiscal 2019, Rise obtained a non-revolving term facility of up to $650,000, provided evenly from the Business Development Bank of Canada ("BDC") and a Foundation. The facility bore interest at BDC's floating base rate less 2.8% per annum and was due on February 28, 2020. During the year, BDC and the Foundation forgave its loan to Rise on June 25, 2019 and October 7, 2019, respectively, to support Rise's aim to grow its loan capital for the future.

6. Deferred revenue

Deferred revenue, which is included in the Operating fund, consists of restricted grant funding, donations and fundraising received or receivable that are to fund expenses in a subsequent period:

	2020	2019
Balance, beginning of year	**$ 424,832**	$ 359,111
Add: revenue received	**1,463,528**	1,342,305
Less: revenue recognized	**(1,686,360)**	(1,276,584)
Balance, end of year	**$ 202,000**	$ 424,832

7. Lease commitment

Rise rents office space from the University of Toronto. Rise is committed to pay rent and occupancy costs at an estimated rate of $11,000 for the 2021 fiscal year.

8. 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 the financial statements in assessing the extended risk related to financial instruments. Rise is primarily exposed to interest rate, credit and liquidity risks. There have been no changes to the nature of the risk exposure from prior year.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. Rise is exposed to interest rate risk arising from its short-term investments and loan payable. Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities and loans held by Rise. This risk is managed by ensuring holdings are low-risk in nature.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Rise is exposed to credit risk from its loans and accounts receivable. Rise monitors the credit risk and the credit rating of the participants of its microfinancing program on a regular basis and maintains an allowance where collectability is doubtful. As at April 30, 2020, the allowance for doubtful accounts for loans receivable and account receivable is $100,000 (2019 - $11,116) and $Nil (2019 - $Nil), respectively.

Liquidity risk

Liquidity risk is the risk that Rise will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Rise is exposed to liquidity risk arising from its accounts payable and loan payable. Rise manages its liquidity risk by monitoring its operating requirements. Rise prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

9. COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Rise for future periods. At the board approval date, Rise's overall revenue has declined, however, its expenses have declined as well. Rise has and continues to consider options available to adjust its operations should there be any further changes in its revenue streams.