

Financial Statements of

**THE FRONTIER COLLEGE/  
LE COLLÈGE FRONTIÈRE**

Years ended March 31, 2013 and 2012



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## INDEPENDENT AUDITORS' REPORT

To the Members of The Frontier College/  
Le Collège Frontière

We have audited the accompanying financial statements of The Frontier College/Le Collège Frontière, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 audits 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 The Frontier College/Le Collège Frontière as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants

June 26, 2013  
Toronto, Canada

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

## Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,670,934	\$ 2,104,867	\$ 2,554,694
Accounts receivable	191,996	317,521	244,685
Inventory and prepaid expenses	165,396	171,530	132,679
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	264,712	5,892	9,074
	<u>2,293,038</u>	<u>2,599,810</u>	<u>2,941,132</u>
Capital assets (note 3)	293,370	359,904	386,005
	<u>\$ 2,586,408</u>	<u>\$ 2,959,714</u>	<u>\$ 3,327,137</u>

## Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 134,931	\$ 267,056	\$ 198,448
Deferred contributions (notes 5 and 9)	1,849,563	2,014,482	2,437,836
Current portion of obligation under capital leases (note 6)	39,168	36,282	34,283
	<u>2,023,662</u>	<u>2,317,820</u>	<u>2,670,567</u>
Obligation under capital leases (note 6)	90,456	129,624	165,907
Net assets:			
Internally restricted (note 8)	163,746	193,998	185,815
Unrestricted	308,544	318,272	304,848
	<u>472,290</u>	<u>512,270</u>	<u>490,663</u>
	<u>\$ 2,586,408</u>	<u>\$ 2,959,714</u>	<u>\$ 3,327,137</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

## Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Government grants and contracts:		
Federal	\$ 295,931	\$ 357,607
Provincial	2,041,345	1,876,523
Municipal	60,917	71,289
Other grants and donations:		
Frontier College Foundation/ Fondation de Collège Frontière:		
Annual campaign (note 7)	1,559,264	1,476,823
Contribution from endowment (note 7)	508,517	645,561
Lieutenant Governor's Aboriginal Literacy Summer Camps (note 9)	931,696	876,847
Youth Challenge Fund	189,954	357,521
Interest income	25,173	29,108
Publications, workshops and consulting fees - bookstore	613,512	414,268
	<u>6,226,309</u>	<u>6,105,547</u>
Expenses:		
Salaries and benefits, fees and stipends	4,275,918	4,254,707
Travel for training workshops and conferences	369,247	298,199
Volunteer training	185,578	160,808
Professional fees, taxes and insurance	160,353	95,295
Other program	203,439	233,384
Program materials	177,201	169,163
Building occupancy	203,272	186,315
Amortization	66,534	67,612
Equipment	260,071	233,240
Office supplies	90,568	87,313
Publishing and promotion	76,993	79,989
Educational and professional development	30,505	48,830
Interest on capital lease	11,714	14,393
Other	5,281	7,511
Cost of sales	149,615	147,181
	<u>6,266,289</u>	<u>6,083,940</u>
Excess (deficiency) of revenue over expenses	<u>\$ (39,980)</u>	<u>\$ 21,607</u>

See accompanying notes to financial statements.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

## Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Internally restricted (note 8)	Unrestricted	Total
Balance, beginning of year	\$ 193,998	\$ 318,272	\$ 512,270
Excess (deficiency) of revenue over expenses	(66,534)	26,554	(39,980)
Net change in invested in capital assets	36,282	(36,282)	–
<b>Balance, end of year</b>	<b>\$ 163,746</b>	<b>\$ 308,544</b>	<b>\$ 472,290</b>

March 31, 2012	Internally restricted (note 8)	Unrestricted	Total
Balance, beginning of year	\$ 185,815	\$ 304,848	\$ 490,663
Excess (deficiency) of revenue over expenses	(67,612)	89,219	21,607
Net change in invested in capital assets	75,795	(75,795)	–
<b>Balance, end of year</b>	<b>\$ 193,998</b>	<b>\$ 318,272</b>	<b>\$ 512,270</b>

See accompanying notes to financial statements.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

## Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (39,980)	\$ 21,607
Amortization of capital assets which does not involve cash	66,534	67,612
Change in non-cash operating working capital:		
Accounts receivable	125,525	(72,836)
Inventory and prepaid expenses	6,134	(38,851)
Accounts payable and accrued liabilities	(132,125)	68,608
Deferred contributions	(164,919)	(423,354)
Due from Frontier College Foundation/ Foundation de Collège Frontière	(258,820)	3,182
	<u>(397,651)</u>	<u>(374,032)</u>
Financing activities:		
Repayment of obligation under capital leases	(36,282)	(34,284)
Investing activities:		
Additions to capital assets	–	(41,511)
Decrease in cash and cash equivalents	(433,933)	(449,827)
Cash and cash equivalents, beginning of year	2,104,867	2,554,694
Cash and cash equivalents, end of year	<u>\$ 1,670,934</u>	<u>\$ 2,104,867</u>

See accompanying notes to financial statements.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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The Frontier College/Le Collège Frontière (the "College") is a Canada-wide, volunteer-based literacy organization, created as a corporation by Special Act of the Parliament of Canada in 1922. The College teaches people to read and write and nurtures an environment favourable to lifelong learning. Since 1899, the College has been reaching out to people wherever they are and responding to their particular learning needs. The College believes in literacy as a right and works to achieve literacy for all.

The College is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

On April 1, 2012, the College adopted Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") in Part III of The Canadian Institute of Chartered Accountants' Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the College has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no adjustments to net assets as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to ASNPO.

## **1. Significant accounting policies:**

### (a) Revenue recognition:

The College follows the deferral method of accounting for contributions.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted investment income is recognized as revenue when earned.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

### (c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The fair value of the contributed building is not determinable and has been recorded at a nominal amount.

Assets acquired under capital leases are amortized over the estimated useful lives of the assets or over the lease term, as appropriate.

Contributed capital assets are recorded at fair value at the date of contribution.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.



# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

Amortization of capital assets is provided for on a straight-line basis as follows:

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Building	Over 40 years
Leasehold improvements	Over term of lease
Computer equipment	Over 3 years
Equipment	Over life of capital lease

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### (d) Donated goods and services:

The College benefits from donated goods and services, particularly book donations. Donated goods are recorded at their fair values at the time of contribution, if this amount can be reasonably estimated. If the fair value is not determinable, the donation will not be recognized. Due to the difficulty of determining the fair values of contributed services, these contributions are not recognized in the financial statements.

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The College has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the College expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses and changes in net assets for the years. Actual results could differ from those estimates.

## 2. Credit facility:

The College has access to a line of credit for up to \$175,000. The credit facility bears interest at the bank's prime rate plus 1% and is repayable upon demand. At March 31, 2013, the College had nil (2012 - nil) drawn on the line of credit.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

### 3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Building and leasehold improvements	\$ 159,840	\$ 25,455	\$ 134,385
Computer equipment	514,167	490,593	23,574
Equipment	34,518	28,731	5,787
Equipment under capital leases	217,577	87,953	129,624
	<u>\$ 926,102</u>	<u>\$ 632,732</u>	<u>\$ 293,370</u>

March 31, 2012	Cost	Accumulated amortization	Net book value
Building and leasehold improvements	\$ 159,840	\$ 21,459	\$ 138,381
Computer equipment	514,167	466,140	48,027
Equipment	34,518	26,929	7,589
Equipment under capital leases	235,676	69,769	165,907
	<u>\$ 944,201</u>	<u>\$ 584,297</u>	<u>\$ 359,904</u>

April 1, 2011	Cost	Accumulated amortization	Net book value
Building and leasehold improvements	\$ 156,513	\$ 17,512	\$ 139,001
Computer equipment	483,268	447,388	35,880
Equipment	27,232	16,298	10,934
Equipment under capital leases	246,645	46,455	200,190
	<u>\$ 913,658</u>	<u>\$ 527,653</u>	<u>\$ 386,005</u>

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

#### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$38,467 (March 31, 2012 - \$48,167; April 1, 2011 - \$4,079), which include amounts payable for payroll-related taxes and harmonized sales tax.

#### 5. Deferred contributions:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for specific programs. Changes in the deferred contributions balance are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 2,014,482	\$ 2,437,836	\$ 2,440,240
Amount recognized as revenue	(3,185,258)	(3,048,231)	(3,338,853)
Amount received	3,020,339	2,624,877	3,336,449
<b>Balance, end of year</b>	<b>\$ 1,849,563</b>	<b>\$ 2,014,482</b>	<b>\$ 2,437,836</b>

#### 6. Obligation under capital leases:

Under the terms of capital leases for the rental of equipment, the College is committed to the following approximate minimum annual lease payments:

	March 31, 2013	March 31, 2012	April 1, 2011
2012	\$ —	\$ —	\$ 34,282
2013	—	36,282	36,282
2014	39,168	39,168	39,168
2015	39,919	39,919	39,919
2016	43,061	43,061	50,539
2017	7,476	7,476	—
	129,624	165,906	200,190
Less current portion	39,168	36,282	34,283
<b>Obligation under capital leases</b>	<b>\$ 90,456</b>	<b>\$ 129,624</b>	<b>\$ 165,907</b>

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## **7. Related party transactions:**

The College recorded revenue of \$2,067,781 (2012 - \$2,122,384) from Frontier College Foundation/Fondation de Collège Frontière (the "Foundation"). In addition to this revenue, \$830,195 (2012 - \$202,359) was raised for the Lieutenant Governor's Aboriginal Summer Campus and other project, and is included in deferred contributions. The Foundation raises funds to support the College's literacy programs. The Foundation is a charitable organization, incorporated without share capital under the laws of Ontario.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

## **8. Internally restricted net assets:**

Internally restricted net assets have been restricted by the Board of Governors for the building. These net assets are the accumulation of previous development campaigns and related investment income. Amounts may be transferred for general use by the College if authorized by a 2/3 majority of the Board of Governors. Internally restricted net assets also include amounts invested in capital assets of \$163,746 (2012 - \$193,998).

Of the current year operating deficit, \$30,000 was funded by a transfer from the building reserve fund as approved by the Board.

# THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 9. Lieutenant Governor's Aboriginal Literacy Summer Camps:

The office of the Lieutenant Governor asked the College to operate the Aboriginal Literacy Summer Camps in remote communities in Northern Ontario. This program was intended to run for a five-year period (2006 to 2010). The Lieutenant Governor had taken responsibility for securing the commitment of five-year funding of the program. At March 31, 2013, \$1,248,061 (2012 - \$479,219) has been raised for the camps. In the seventh year of operation, \$931,546 (2012 - \$876,847) was spent on the camps and \$1,172,481 (2012 - \$855,966) remains unspent. As agreed with the office of the Lieutenant Governor, the College will continue to operate the program with the remaining funds. These funds are included in deferred contributions as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 855,966	\$ 1,253,594	\$ 1,258,002
Funds received:			
Public sector	427,212	228,664	454,735
Private sector	341,124	250,555	317,626
Total contributions received	768,336	479,219	772,361
	1,624,302	1,732,813	2,030,363
Expenses	931,696	876,847	776,769
Funds deferred for future years	\$ 692,606	\$ 855,966	\$ 1,253,594

## 10. Financial risks:

The College believes that it is not exposed to significant interest rate, market, credit or cash flow risk arising from its financial instruments.