

Financial Statements of

**FRONTIER COLLEGE/  
COLLÈGE FRONTIÈRE**

Year ended March 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Members of Frontier College/  
Collège Frontière

We have audited the accompanying financial statements of Frontier College/Collège Frontière, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.



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*Basis for Qualified Opinion*

In common with many charitable organizations, Frontier College/Collège Frontière derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Frontier College/Collège Frontière. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2015, any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses reported in the statement of operations, excess of revenue (deficiency) over expenses reported in the statement of cash flows and current assets and net assets reported on the statement of financial position.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Frontier College/Collège Frontière as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

June 25, 2015  
Toronto, Canada

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2015, with comparative information for 2014

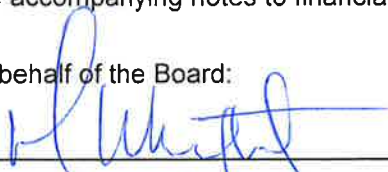
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,369,803	\$ 1,619,110
Accounts receivable	247,739	109,087
Inventory and prepaid expenses	120,073	132,375
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	135,094	126,589
	<u>1,872,709</u>	<u>1,987,161</u>
Capital assets (note 3)	300,769	336,898
	<u>\$ 2,173,478</u>	<u>\$ 2,324,059</u>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 198,384	\$ 234,920
Deferred contributions (note 5)	1,517,567	1,603,552
Current portion of obligation under capital leases (note 6)	33,718	31,778
	<u>1,749,669</u>	<u>1,870,250</u>
Obligation under capital leases (note 6)	125,685	159,403
Net assets:		
Internally restricted (note 8)	141,366	145,717
Unrestricted	156,758	148,689
	<u>298,124</u>	<u>294,406</u>
	<u>\$ 2,173,478</u>	<u>\$ 2,324,059</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

## Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Government grants and contracts:		
Federal	\$ 323,206	\$ 230,211
Provincial	2,190,137	2,301,994
Municipal	62,894	81,663
Other grants and donations:		
Frontier College Foundation/ Fondation de Collège Frontière:		
Annual campaign (note 7)	250,000	1,273,398
Contribution from endowment (note 7)	525,182	509,105
Lieutenant Governor's Aboriginal Literacy Summer Camps	661,081	774,478
Youth Challenge Fund	163,534	233,509
Fundraising (note 7)	1,570,228	—
Interest income	14,151	16,219
Publications, workshops and consulting fees - bookstore	571,969	734,246
	<u>6,332,382</u>	<u>6,154,823</u>
Expenses:		
Salaries and benefits, fees and stipends (note 9)	4,516,798	4,492,194
Travel for training workshops and conferences	285,806	295,286
Equipment	254,001	221,652
Building occupancy	175,946	195,173
Program materials	175,471	213,208
Other program	155,260	187,627
Volunteer training	154,978	213,746
Professional fees and insurance	154,949	191,602
Fundraising (note 7)	140,511	—
Office supplies	66,904	74,936
Amortization	52,485	66,302
Publishing and promotion	38,914	24,713
Educational and professional development	23,232	19,383
Interest on capital lease	10,597	13,091
Other	1,607	4,742
Cost of sales	121,205	119,052
	<u>6,328,664</u>	<u>6,332,707</u>
<u>Excess (deficiency) of revenue over expenses</u>	<u>\$ 3,718</u>	<u>\$ (177,884)</u>

See accompanying notes to financial statements.

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

## Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

			2015	2014
	Internally restricted (note 8)	Unrestricted	Total	Total
Balance, beginning of year	\$ 145,717	\$ 148,689	\$ 294,406	\$ 472,290
Excess (deficiency) of revenue over expenses	(52,485)	56,203	3,718	(177,884)
Net changes in invested capital assets	48,134	(48,134)	—	—
<b>Balance, end of year</b>	<b>\$ 141,366</b>	<b>\$ 156,758</b>	<b>\$ 298,124</b>	<b>\$ 294,406</b>

See accompanying notes to financial statements.

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 3,718	\$ (177,884)
Items not involving cash:		
Amortization of capital assets	52,485	66,302
Loss on disposal of capital assets	—	112,306
Change in non-cash operating working capital:		
Accounts receivable	(138,652)	82,909
Inventory and prepaid expenses	12,302	33,021
Accounts payable and accrued liabilities	(36,536)	99,989
Deferred contributions	(85,985)	(246,011)
Due from Frontier College Foundation/ Fondation de Collège Frontière	(8,505)	138,123
	(201,173)	108,755
Financing activities:		
Repayment of obligation under capital leases	(31,778)	(38,442)
Increase in obligation under capital assets	—	99,999
	(31,778)	61,557
Investing activities:		
Additions to capital assets	(16,356)	(222,136)
Decrease in cash and cash equivalents	(249,307)	(51,824)
Cash and cash equivalents, beginning of year	1,619,110	1,670,934
Cash and cash equivalents, end of year	\$ 1,369,803	\$ 1,619,110

See accompanying notes to financial statements.

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements

Year ended March 31, 2015

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Frontier College/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.

The College transitioned to the Canada Not-for-profit Corporations Act effective June 5, 2014. On transition, the name was changed to Frontier College/Collège Frontière.

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

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are as follows:

### **(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.

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.



# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

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.

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

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Building	40 years
Leasehold improvements	Term of lease
Computer equipment	3 years
Equipment	Life of capital lease

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# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (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.

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.

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 1. Significant accounting policies (continued):

### (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 date of the financial statements and the reported amounts of revenue and expenses and changes in net assets for the year. 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, 2015, the College had nil (2014 - nil) drawn on the line of credit.

## 3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	\$ 159,840	\$ 33,376	\$ 126,464	\$ 130,389
Computer equipment	540,519	523,678	16,841	13,349
Equipment	34,517	34,517	—	1,979
Equipment under capital leases	212,961	55,497	157,464	191,181
	\$ 947,837	\$ 647,068	\$ 300,769	\$ 336,898

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$1,031 (2014 - \$3,114), which include amounts payable for harmonized sales tax.

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 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:

	2015	2014
Balance, beginning of year	\$ 1,603,552	\$ 1,849,563
Amount recognized as revenue	(2,867,533)	(3,588,108)
Amount received	2,781,548	3,342,097
<b>Balance, end of year</b>	<b>\$ 1,517,567</b>	<b>\$ 1,603,552</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:

	2015	2014
2015	\$ —	\$ 31,778
2016	33,718	33,718
2017	35,775	35,775
2018	37,958	37,958
2019	40,276	40,276
2020	11,676	11,676
	159,403	191,181
Less current portion	33,718	31,778
	<b>\$ 125,685</b>	<b>\$ 159,403</b>

# FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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

The College recorded revenue of \$775,182 (2014 - \$1,782,503) from Frontier College Foundation/Fondation de Collège Frontière (the "Foundation"). In 2014, the Foundation raised funds to support the College's literacy programs. Effective April 1, 2014, all fundraising activities are undertaken by the College. 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 Directors 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 Directors. Internally restricted net assets include amounts invested in capital assets of \$141,366 (2014 - \$145,717).

## **9. Reorganization costs:**

Included in salaries and benefits, fees and stipends are reorganization costs of \$49,704 (2014 - \$86,202).

## **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.