

Financial Statements of

**FRONTIER COLLEGE/
COLLÈGE FRONTIÈRE**

Year ended March 31, 2018



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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, 2018, 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 not-for-profit 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, 2018 and March 31, 2017, any adjustments might be necessary to donations, excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

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, 2018, 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

Chartered Professional Accountants, Licensed Public Accountants

June 28, 2018
Vaughan, Canada

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,190,751	\$ 6,085,979
Accounts receivable	519,741	315,028
Inventory and prepaid expenses	219,514	221,146
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	259,488	219,488
	<u>7,189,494</u>	<u>6,841,641</u>
Capital assets (note 3)	501,705	341,203
	<u>\$ 7,691,199</u>	<u>\$ 7,182,844</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 418,755	\$ 218,485
Deferred contributions (note 5(a))	6,282,725	6,261,327
Current portion of obligation under capital leases (note 6)	87,116	16,915
	<u>6,788,596</u>	<u>6,496,727</u>
Deferred contributions (note 5(b))	221,502	47,887
Obligation under capital leases (note 6)	1,817	88,946
	<u>223,319</u>	<u>136,833</u>
Net assets:		
Invested in capital assets (note 8)	191,270	187,455
Internally restricted (note 9)	274,537	194,537
Unrestricted	213,477	167,292
	<u>679,284</u>	<u>549,284</u>
Commitments (note 10)		
	<u>\$ 7,691,199</u>	<u>\$ 7,182,844</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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Government grants and contracts:		
Federal	\$ 347,279	\$ 822,117
Provincial and territorial	4,423,522	3,826,139
Municipal	84,258	76,702
Other grants and donations:		
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	518,259	474,000
Supplementary grant (note 7)	187,000	178,000
Fundraising	3,236,674	2,441,314
Interest income	28,228	24,620
Publications, workshops and consulting fees - bookstore	579,736	682,469
Amortization of deferred contributions - capital (note 5(b))	14,225	1,651
	9,419,181	8,527,012
Expenses:		
Salaries and benefits	6,552,490	5,858,352
Travel	491,126	492,318
Program materials	406,738	364,547
Volunteer and staff training and development	358,216	252,036
Other program costs	342,849	278,112
Equipment	308,997	285,774
Building occupancy	216,849	200,947
Fundraising	179,789	159,761
Professional fees and insurance	104,255	150,373
Cost of sales	98,682	112,417
Office supplies	85,993	82,229
Amortization	75,588	52,881
Publishing and promotion	50,626	49,850
Interest on capital lease	16,983	16,255
	9,289,181	8,355,852
Excess of revenue over expenses	\$ 130,000	\$ 171,160

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

				2018	2017
	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total	Total
Balance, beginning of year	\$ 187,455	\$ 194,537	\$ 167,292	\$ 549,284	\$ 378,124
Excess (deficiency) of revenue over expenses	(61,363)	—	191,363	130,000	171,160
Interfund transfers	—	80,000	(80,000)	—	—
Net change in invested capital assets	65,178	—	(65,178)	—	—
Balance, end of year	\$ 191,270	\$ 274,537	\$ 213,477	\$ 679,284	\$ 549,284

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 130,000	\$ 171,160
Items not involving cash:		
Amortization of capital assets	75,588	52,881
Amortization of deferred contributions - capital	(14,225)	(1,651)
Change in non-cash operating working capital:		
Accounts receivable	(204,713)	(117,881)
Inventory and prepaid expenses	1,632	(68,718)
Accounts payable and accrued liabilities	200,270	46,019
Deferred contributions	21,398	3,473,519
Due from Frontier College Foundation/ Fondation de Collège Frontière	(40,000)	(11)
	169,950	3,555,318
Financing activities:		
Deferred contributions received - capital	187,840	49,538
Repayment of obligation under capital leases	(16,928)	(19,824)
	170,912	29,714
Investing activities:		
Additions to capital assets	(236,090)	(118,933)
Increase in cash and cash equivalents	104,772	3,466,099
Cash and cash equivalents, beginning of year	6,085,979	2,619,880
Cash and cash equivalents, end of year	\$ 6,190,751	\$ 6,085,979

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements

Year ended March 31, 2018

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.

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.

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

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(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:

Building	40 years
Building improvements	15 years
Leasehold improvements	Term of lease
Computer equipment	3 years
Equipment	Life of capital lease

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 year, 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, 2018

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, 2018, the College had nil (2017 - nil) drawn on the line of credit.

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	\$ 178,247	\$ 48,432	\$ 129,815	\$ 118,472
Building improvements	219,999	11,467	208,532	59,943
Computer equipment	675,432	595,221	80,211	56,342
Equipment	42,700	35,936	6,764	7,269
Equipment under capital leases	212,961	136,578	76,383	99,177
	\$ 1,329,339	\$ 827,634	\$ 501,705	\$ 341,203

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$1,138 (2017 - \$1,474), which include amounts payable for harmonized sales tax.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred contributions:

(a) Current deferred contributions:

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

	2018	2017
Balance, beginning of year	\$ 6,261,327	\$ 2,787,808
Amount recognized as revenue	(4,344,138)	(3,397,377)
Amount received	4,365,536	6,870,896
Balance, end of year	\$ 6,282,725	\$ 6,261,327

(b) Long-term deferred contributions - capital:

Deferred contributions include the unamortized portions of restricted contributions with which capital assets were originally purchased. Changes in the long-term deferred contributions balance reported are as follows:

	2018	2017
Balance, beginning of year	\$ 47,887	\$ -
Contributions received	187,840	49,538
Amortization of deferred contributions - capital	(14,225)	(1,651)
Balance, end of year	\$ 221,502	\$ 47,887

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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:

	2018	2017
2018	\$ —	\$ 16,915
2019	87,116	19,867
2020	1,817	22,675
2021	—	24,790
2022	—	21,614
	88,933	105,861
Less current portion	87,116	16,915
	\$ 1,817	\$ 88,946

7. Related party transactions:

The College recorded revenue of \$705,259 (2017 - \$625,000) from the Frontier College Foundation/Fondation de Collège Frontière. Revenue consisted of contributions from the endowment funds of \$518,259 (2017 - \$474,000) and supplementary grant of \$187,000 (2017 - \$178,000).

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. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 501,705	\$ 341,203
Amounts financed by capital leases	(88,933)	(105,861)
Amounts financed by deferred contributions - capital	(221,502)	(47,887)
	\$ 191,270	\$ 187,455

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Invested in capital assets (continued):

(b) Net change in net assets invested in capital assets is calculated as follows:

	2018	2017
Deficiency of revenue over expenses:		
Amortization of capital assets	\$ (75,588)	\$ (52,881)
Amortization of deferred contributions - capital	14,225	1,651
	<u>(61,363)</u>	<u>(51,230)</u>
Net change in investment in capital assets:		
Additions to capital assets	236,090	118,933
Amounts financed by deferred contributions - capital	(187,840)	(49,538)
Repayment of obligation under capital lease	16,928	19,824
	<u>65,178</u>	<u>89,219</u>
	<u>\$ 3,815</u>	<u>\$ 37,989</u>

9. Internally restricted net assets:

Internally restricted net assets consist of amounts in a restricted building fund to be used for repairs and improvements at 35 Jackes Avenue of \$274,537 (2017 - \$194,537). The amount includes \$80,000 (2017 - \$141,366) of board-approved interfund transfers for building maintenance and nil (2017 - \$53,171), which represents the excess of surplus funds over budgeted amounts, as approved by the board to transfer to the building maintenance fund.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Commitments:

Under the terms of various operating leases for premises, the College is committed at March 31, 2018 to the following approximate minimum annual lease payments:

2019	\$ 67,300
2020	37,500
2021	21,000
	<hr/>
	\$ 125,800

11. 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.