

Financial Statements of

**FRONTIER COLLEGE/
COLLÈGE FRONTIÈRE**

Year ended March 31, 2016



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

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, 2016, 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.



Page 2

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, 2016 and March 31, 2015, 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 on 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, 2015.

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, 2016, 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 30, 2016
Toronto, Canada

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2016, with comparative information for 2015

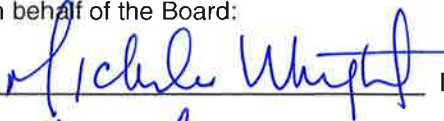
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,619,880	\$ 1,369,803
Accounts receivable	197,147	247,739
Inventory and prepaid expenses	152,428	120,073
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	219,477	135,094
	<u>3,188,932</u>	<u>1,872,709</u>
Capital assets (note 3)	275,151	300,769
	<u>\$ 3,464,083</u>	<u>\$ 2,173,478</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 172,466	\$ 198,384
Deferred contributions (note 5)	2,787,808	1,517,567
Current portion of obligation under capital leases (note 6)	35,775	33,718
	<u>2,996,049</u>	<u>1,749,669</u>
Obligation under capital leases (note 6)	89,910	125,685
Net assets:		
Internally restricted (note 8)	149,466	141,366
Unrestricted	228,658	156,758
	<u>378,124</u>	<u>298,124</u>
	<u>\$ 3,464,083</u>	<u>\$ 2,173,478</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Government grants and contracts:		
Federal	\$ 226,995	\$ 323,206
Provincial and territorial	2,866,823	2,432,173
Municipal	59,840	62,894
Other grants and donations:		
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	563,000	525,182
Other contributions (note 7)	123,321	250,000
Administration fee (note 7)	180,000	—
Youth Challenge Fund	—	163,534
Fundraising	2,427,578	1,989,273
Interest income	8,710	14,151
Publications, workshops and consulting fees - bookstore	559,214	571,969
	<u>7,015,481</u>	<u>6,332,382</u>
Expenses:		
Salaries and benefits, fees and stipends (note 9)	4,952,911	4,516,798
Travel for training workshops and conferences	365,964	285,806
Equipment	290,400	254,001
Building occupancy	180,511	175,946
Program materials	233,615	175,471
Other program	160,225	155,260
Volunteer training	192,201	154,978
Professional fees and insurance	123,225	154,949
Fundraising	144,018	140,511
Office supplies	101,702	66,904
Amortization	52,097	52,485
Publishing and promotion	20,700	38,914
Educational and professional development	37,158	23,232
Interest on capital lease	8,772	10,597
Other	4	1,607
Cost of sales	71,978	121,205
	<u>6,935,481</u>	<u>6,328,664</u>
Excess of revenue over expenses	<u>\$ 80,000</u>	<u>\$ 3,718</u>

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

			2016	2015
	Internally restricted (note 8)	Unrestricted	Total	Total
Balance, beginning of year	\$ 141,366	\$ 156,758	\$ 298,124	\$ 294,406
Excess (deficiency) of revenue over expenses	(52,097)	132,097	80,000	3,718
Net change in invested capital assets	60,197	(60,197)	—	—
Balance, end of year	\$ 149,466	\$ 228,658	\$ 378,124	\$ 298,124

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 80,000	\$ 3,718
Amortization of capital assets which does not involve cash	52,097	52,485
Change in non-cash operating working capital:		
Accounts receivable	50,592	(138,652)
Inventory and prepaid expenses	(32,355)	12,302
Accounts payable and accrued liabilities	(25,918)	(36,536)
Deferred contributions	1,270,241	(85,985)
Due from Frontier College Foundation/ Fondation de Collège Frontière	(84,383)	(8,505)
	<u>1,310,274</u>	<u>(201,173)</u>
Financing activities:		
Repayment of obligation under capital leases	(33,718)	(31,778)
Investing activities:		
Additions to capital assets	(26,479)	(16,356)
Increase (decrease) in cash and cash equivalents	1,250,077	(249,307)
Cash and cash equivalents, beginning of year	1,369,803	1,619,110
Cash and cash equivalents, end of year	<u>\$ 2,619,880</u>	<u>\$ 1,369,803</u>

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements

Year ended March 31, 2016

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.

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, 2016

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
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, 2016

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, 2016

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, 2016, the College had nil (2015 - nil) drawn on the line of credit.

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	\$ 159,840	\$ 37,372	\$ 122,468	\$ 126,464
Computer equipment	561,950	536,033	25,917	16,841
Equipment	39,565	34,769	4,796	—
Equipment under capital leases	212,961	90,991	121,970	157,464
	\$ 974,316	\$ 699,165	\$ 275,151	\$ 300,769

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$2,811 (2015 - \$1,031), which include amounts payable for harmonized sales tax.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2016

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:

	2016	2015
Balance, beginning of year	\$ 1,517,567	\$ 1,603,552
Amount recognized as revenue	(2,417,339)	(2,867,533)
Amount received	3,687,580	2,781,548
Balance, end of year	\$ 2,787,808	\$ 1,517,567

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:

	2016	2015
2016	\$ —	\$ 33,718
2017	35,775	35,775
2018	37,958	37,958
2018	40,276	40,276
2020	11,676	11,676
	125,685	159,403
Less current portion	35,775	33,718
	\$ 89,910	\$ 125,685

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Related party transactions:

The College recorded revenue of \$866,321 (2015 - \$775,182) from Frontier College Foundation/Fondation de Collège Frontière (the "Foundation"), which consisted of \$123,321 of donations collected on behalf of College by the Foundation, an endowment fund transfer of \$563,000, and \$180,000 of administration fee charged during 2016 by the College to the Foundation. The administration fee is based on 1% of the market value of the total investment portfolio of the Foundation as at March 31, 2015.

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 consist of amounts invested in capital assets of \$149,466 (2015 - \$141,366).

9. Reorganization costs:

Included in salaries and benefits, fees and stipends are reorganization costs of nil (2015 - \$49,704).

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.

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.