

Financial Statements of

**FRONTIER COLLEGE  
FOUNDATION**

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 Foundation

We have audited the accompanying financial statements of Frontier College Foundation, 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 audit opinion.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Frontier College Foundation 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*

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Chartered Professional Accountants, Licensed Public Accountants

June 22, 2016  
Toronto, Canada

# FRONTIER COLLEGE FOUNDATION

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 84,347	\$ 136,016
Accounts receivable and prepaid expenses	19,195	19,411
Short-term investments (note 3)	1,365,220	1,579,701
	<u>1,468,762</u>	<u>1,735,128</u>
Long-term investments (note 4)	16,427,308	17,064,246
	<u>\$ 17,896,070</u>	<u>\$ 18,799,374</u>

## Liabilities and Net Assets

Current liabilities:		
Accrued liabilities	\$ 24,388	\$ 38,017
Due to The Frontier College (note 2)	219,477	135,094
	<u>243,865</u>	<u>173,111</u>
Net assets:		
Unrestricted	1,180,223	2,162,056
Externally restricted endowment	15,471,757	15,471,757
Internally restricted (note 6)	1,000,225	992,450
	<u>17,652,205</u>	<u>18,626,263</u>
	<u>\$ 17,896,070</u>	<u>\$ 18,799,374</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# FRONTIER COLLEGE FOUNDATION

## Statement of Operations

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

	2016	2015
Revenue:		
Dividends and interest	\$ 507,350	\$ 458,015
Net realized gain on sale of investments	340,897	552,526
Net unrealized gain (loss) on investments	(834,159)	1,065,835
Bequests	7,775	11,413
	<u>21,863</u>	<u>2,087,789</u>
Expenses:		
Salaries	—	16,800
Investment management fees	106,509	103,571
Professional fees	21,652	18,167
Administration fee to The Frontier College (note 2)	180,000	—
Miscellaneous	1,439	—
	<u>309,600</u>	<u>138,538</u>
Donation to The Frontier College (note 5)	686,321	775,182
	<u>995,921</u>	<u>913,720</u>
Excess of revenue over expenses		
(expenses over revenue)	\$ (974,058)	\$ 1,174,069

See accompanying notes to financial statements.

# FRONTIER COLLEGE FOUNDATION

## Statement of Changes in Net Assets

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

				2016	2015
	Unrestricted	Externally restricted endowment	Internally restricted (note 6)	Total	Total
Net assets, beginning of year	\$ 2,162,056	\$ 15,471,757	\$ 992,450	\$ 18,626,263	\$ 17,452,194
Excess of revenue over expenses (expenses over revenue)	(974,058)	—	—	(974,058)	1,174,069
Interfund transfers	(7,775)	—	7,775	—	—
<b>Net assets, end of year</b>	<b>\$ 1,180,223</b>	<b>\$ 15,471,757</b>	<b>\$ 1,000,225</b>	<b>\$ 17,652,205</b>	<b>\$ 18,626,263</b>

See accompanying notes to financial statements.

# FRONTIER COLLEGE FOUNDATION

## 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 (expenses over revenue)	\$ (974,058)	\$ 1,174,069
Net unrealized loss (gain) on investments which does not involve cash	834,159	(1,065,835)
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	216	70,486
Accrued liabilities	(13,629)	494
Due to The Frontier College	84,383	8,505
	(68,929)	187,719
Investing activities:		
Net sale (purchase) of investments	17,260	(439,606)
Decrease in cash	(51,669)	(251,887)
Cash, beginning of year	136,016	387,903
Cash, end of year	\$ 84,347	\$ 136,016

See accompanying notes to financial statements.

# FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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Frontier College Foundation (the "Foundation") was incorporated without share capital under the laws of Canada in 1987 to support research and other similar projects on the literacy, learning and related programs of The Frontier College (the "College"). The Foundation transitioned to Canada Not-for-profit Corporations Act effective March 31, 2014.

The Foundation is a public foundation 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 Foundation entered into an agreement with Human Resources and Skills Development Canada in fiscal 2002, whereby the Foundation received \$12,000,000 as endowment contributions. These funds will provide a permanent source of revenue to support the research and other similar projects on the literacy, learning and related programs of the College.

Effective April 1, 2014, all fundraising activities are undertaken by the College.

## **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 Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Endowment contributions are recognized as direct increases in net assets as received. Income derived from endowments are unrestricted.

Investment income is recognized when earned.



# FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (b) 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 Foundation has elected to carry their investments 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 Foundation 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 Foundation 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.

### (c) 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 during the year. Significant items subject to such estimates and assumptions include the carrying amount of accrued liabilities. Actual results could differ from those estimates.

# FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 2. Due to The Frontier College:

The Foundation and the College entered into a Memorandum of Understanding dated May 29, 2004. The College provides certain support services for the Foundation and the Foundation pays to the College a fee which is mutually agreed upon each year, reflecting an actual, fair and reasonable assessment of the costs of the services provided.

During 2016, an administration fee of \$180,000 was paid to the College to cover overhead costs, such as staff resources and computer support. The administration fee is based on 1% of the market value of the total investment portfolio as at March 31, 2015. The Board of Directors of the Foundation will consider this fee annually as part of the budgeting process and determine if the funds are available to make the distribution in the next fiscal year.

In 2015, the Foundation reimbursed the College for operating costs incurred on its behalf based on estimated expenses.

## 3. Short-term investments:

	2016	2015
Cash	\$ 572,308	\$ 748,331
Canadian short-term	291,096	224,980
Short-term pooled fund	501,816	606,390
	\$ 1,365,220	\$ 1,579,701

## 4. Long-term investments:

	2016	2015
Canadian bonds and debentures	\$ 2,198,900	\$ 2,256,356
Canadian equities	1,984,675	2,010,519
Foreign equities	3,422,630	3,563,794
	7,606,205	7,830,669
Pooled investment funds:		
Fixed income	3,905,924	3,865,133
Dividend income	842,863	771,227
Balanced funds	834,696	940,844
Canadian equities	1,206,152	1,335,002
Foreign equities	2,031,468	2,321,371
	8,821,103	9,233,577
	\$ 16,427,308	\$ 17,064,246

# FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 5. Donation to The Frontier College:

The donation to the College comprises the following transfers:

	2016	2015
Endowment fund	\$ 563,000	\$ 525,182
Distribution from the Morrison Foundation	123,321	–
Prior year surplus	–	250,000
	<u>\$ 686,321</u>	<u>\$ 775,182</u>

## 6. Internally restricted net assets:

Internally restricted net assets have been restricted by the Board of Directors for endowment and legacy purposes. The legacy fund was established by the Board of Directors in 2011 to provide funding for the operations of the College. The legacy funds are not subject to any particular holding period, and funds, including the capital portion, may be paid out from time to time as approved by the board. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. Currently, the internally restricted net assets comprise as follows:

	2016	2015
Internally restricted endowment funds	\$ 608,222	\$ 608,222
Legacy fund	392,003	384,228
	<u>\$ 1,000,225</u>	<u>\$ 992,450</u>

## 7. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board of Directors. The Foundation is currently not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

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

# FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 7. Financial risks (continued):

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

The Foundation is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates on the Foundation's foreign equities. There has been no change to the risk exposure from 2015.