

Financial Statements of

**FRONTIER COLLEGE
FOUNDATION**

Year ended March 31, 2015



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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, 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 Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Frontier College Foundation. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2014, any adjustments might be necessary to donations, excess of revenue over expenses reported in the statement of operations, excess of revenue over expenses reported in the statement of cash flows and current assets and net assets reported on the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2014.

Our opinion on the financial statements as at and for the year ended March 31, 2015 is also modified because of the possible effects of this matter on the comparability of the current period's and prior period figures.

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 Foundation 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

Chartered Professional Accountants, Licensed Public Accountants

June 23, 2015
Toronto, Canada

FRONTIER COLLEGE FOUNDATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 136,016	\$ 387,903
Accounts receivable and prepaid expenses	19,411	89,897
Short-term investments (note 3)	1,579,701	1,651,250
	<u>1,735,128</u>	<u>2,129,050</u>
Long-term investments (note 4)	17,064,246	15,487,256
	<u>\$ 18,799,374</u>	<u>\$ 17,616,306</u>

Liabilities and Net Assets

Current liabilities:		
Accrued liabilities	\$ 38,017	\$ 37,523
Due to The Frontier College (note 2)	135,094	126,589
	<u>173,111</u>	<u>164,112</u>
Net assets:		
Unrestricted	2,162,056	999,400
Externally restricted endowment	15,471,757	15,471,757
Internally restricted (note 6)	992,450	981,037
	<u>18,626,263</u>	<u>17,452,194</u>
	<u>\$ 18,799,374</u>	<u>\$ 17,616,306</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

FRONTIER COLLEGE FOUNDATION

Statement of Operations

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

	2015	2014
Revenue:		
Investments:		
Dividends and interest	\$ 458,015	\$ 465,640
Net realized gain on sale of investments	552,526	157,936
Net unrealized gain on investments	1,065,835	1,534,422
Donations:		
Corporate	—	738,763
Special event	—	544,060
Individual	—	316,777
Bequests	11,413	35,595
Foundation	—	104,757
The Frontier College fundraising activities	—	602,930
	<u>2,087,789</u>	<u>4,500,880</u>
Expenses:		
Salaries	16,800	348,609
Fundraising	—	157,022
Investment management fees	103,571	93,342
Professional fees	18,167	33,631
Office supplies	—	6,660
Staff training	—	3,403
	<u>138,538</u>	<u>642,667</u>
Donation to The Frontier College (note 5)	775,182	2,672,322
	<u>913,720</u>	<u>3,314,989</u>
Excess of revenue over expenses	<u>\$ 1,174,069</u>	<u>\$ 1,185,891</u>

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION

Statement of Changes in Net Assets

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

				2015	2014
	Unrestricted	Externally restricted endowment	Internally restricted (note 6)	Total	Total
Net assets, beginning of year	\$ 999,400	\$ 15,471,757	\$ 981,037	\$ 17,452,194	\$ 16,266,303
Excess of revenue over expenses	1,174,069	—	—	1,174,069	1,185,891
Interfund transfers	(11,413)	—	11,413	—	—
Net assets, end of year	\$ 2,162,056	\$ 15,471,757	\$ 992,450	\$ 18,626,263	\$ 17,452,194

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION

Statement of Cash Flows

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

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,174,069	\$ 1,185,891
Net unrealized gain on investments which does not involve cash	(1,065,835)	(1,534,422)
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	70,486	88,792
Accrued liabilities	494	3,184
Due to The Frontier College	8,505	(138,123)
	187,719	(394,678)
Investing activities:		
Net sale of investments	(439,606)	(14,828)
Decrease in cash	(251,887)	(409,506)
Cash, beginning of year	387,903	797,409
Cash, end of year	\$ 136,016	\$ 387,903

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

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.

(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.

FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

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.

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.

The Foundation reimburses the College for operating costs incurred on its behalf based on estimated expenses.

FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Short-term investments:

	2015	2014
Cash	\$ 748,331	\$ 688,435
Canadian short-term	224,980	408,959
Short-term pooled fund	606,390	553,856
	<u>\$ 1,579,701</u>	<u>\$ 1,651,250</u>

4. Long-term investments:

	2015	2014
Canadian bonds and debentures	\$ 2,256,356	\$ 2,169,550
Canadian equities	2,010,519	1,889,189
Foreign equities	3,563,794	3,243,637
	<u>7,830,669</u>	<u>7,302,376</u>
Pooled investment funds:		
Fixed income	3,865,133	3,451,941
Dividend income	771,227	690,777
Balanced funds	940,844	830,422
Canadian equities	1,335,002	1,219,682
Foreign equities	2,321,371	1,992,058
	<u>9,233,577</u>	<u>8,184,880</u>
	<u>\$ 17,064,246</u>	<u>\$ 15,487,256</u>

5. Donation to The Frontier College:

The donation to the College comprises the following transfers:

	2015	2014
Endowment fund	\$ 525,182	\$ 509,105
Annual campaign	—	1,863,217
Prior year surplus	250,000	300,000
	<u>\$ 775,182</u>	<u>\$ 2,672,322</u>

FRONTIER COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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:

	2015	2014
Internally restricted endowment fund	\$ 608,222	\$ 608,222
Legacy fund (10 years)	384,228	372,815
	<u>\$ 992,450</u>	<u>\$ 981,037</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.

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 2014.

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 2014.

