

Financial Statements of

**FRONTIER COLLEGE
FOUNDATION/FONDATION
DU COLLÈGE FRONTIÈRE**

Years ended March 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Members of Frontier College Foundation/
Fondation du Collège Frontière

We have audited the accompanying financial statements of Frontier College Foundation/Fondation du Collège Frontière, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, Frontier College Foundation/Fondation du Collège Frontière 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/Fondation du Collège Frontière. Therefore, we were not able to determine whether, as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012, any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses reported in the statements of operations, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and net assets reported on the statements 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 Foundation/Fondation du Collège Frontière as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

May 24, 2013
Toronto, Canada

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Statements of Financial Position

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	\$ 797,409	\$ 999,712	\$ 1,372,852
Accounts receivable and prepaid expenses	178,689	84,700	153,224
	<u>976,098</u>	<u>1,084,412</u>	<u>1,526,076</u>
Investments (note 3)	15,589,256	14,820,096	15,139,063
	<u>\$ 16,565,354</u>	<u>\$ 15,904,508</u>	<u>\$ 16,665,139</u>

Liabilities and Net Assets

Current liabilities:			
Accrued liabilities	\$ 34,339	\$ 36,686	\$ 30,158
Deferred contributions	-	75,000	80,000
Due to The Frontier College (note 2)	264,712	5,892	9,074
	<u>299,051</u>	<u>117,578</u>	<u>119,232</u>
Net assets:			
Unrestricted	(146,876)	(390,104)	465,928
Externally restricted endowment	15,471,757	15,471,757	15,471,757
Internally restricted (note 5)	941,422	705,277	608,222
	<u>16,266,303</u>	<u>15,786,930</u>	<u>16,545,907</u>
	<u>\$ 16,565,354</u>	<u>\$ 15,904,508</u>	<u>\$ 16,665,139</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Investments:		
Dividends and interest	\$ 470,775	\$ 487,804
Net realized gain (loss) on sale of investments	96,290	(26,632)
Net unrealized gain (loss) on investments	567,700	(149,613)
Donations:		
Corporate	920,434	567,434
Special event	620,306	590,452
Individual	355,076	294,607
Bequests	233,549	41,349
Foundation	189,278	195,260
The Frontier College fundraising activities	597,195	202,359
	<u>4,050,603</u>	<u>2,203,020</u>
Expenses:		
Salaries	421,393	385,554
Fundraising	128,591	128,847
Investment management fees	80,424	76,013
Professional fees	28,445	35,118
Office supplies	11,752	6,643
Staff training	2,649	5,079
	<u>673,254</u>	<u>637,254</u>
Donation to The Frontier College (note 4)	2,897,976	2,324,743
	<u>3,571,230</u>	<u>2,961,997</u>
<u>Excess (deficiency) of revenue over expenses</u>	<u>\$ 479,373</u>	<u>\$ (758,977)</u>

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

2013	Unrestricted	Externally restricted endowment	Internally restricted (note 5)	Total
Net assets, beginning of year	\$ (390,104)	\$ 15,471,757	\$ 705,277	\$ 15,786,930
Excess of revenue over expenses	479,373	–	–	479,373
Interfund transfers	(236,145)	–	236,145	–
Net assets, end of year	\$ (146,876)	\$ 15,471,757	\$ 941,422	\$ 16,266,303

2012	Unrestricted	Externally restricted endowment	Internally restricted (note 5)	Total
Net assets, beginning of year	\$ 465,928	\$ 15,471,757	\$ 608,222	\$ 16,545,907
Deficiency of revenue over expenses	(758,977)	–	–	(758,977)
Interfund transfers	(97,055)	–	97,055	–
Net assets, end of year	\$ (390,104)	\$ 15,471,757	\$ 705,277	\$ 15,786,930

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 479,373	\$ (758,977)
Net unrealized loss (gain) on investments which does not involve cash	(567,700)	149,613
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(93,989)	68,524
Accrued liabilities	(2,347)	6,528
Deferred contributions	(75,000)	(5,000)
Due to The Frontier College	258,820	(3,182)
	(843)	(542,494)
Investing activities:		
Net sale of investments	(201,460)	169,354
Decrease in cash	(202,303)	(373,140)
Cash, beginning of year	999,712	1,372,852
Cash, end of year	\$ 797,409	\$ 999,712

See accompanying notes to financial statements.

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

Frontier College Foundation/Fondation du Collège Frontière (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 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.

On April 1, 2011, The Foundation adopted Canadian accounting standards for not-for-profit organizations in Part III of The Canadian Institute of Chartered Accountants' Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at April 1, 2011 or deficiency of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies:

(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.

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 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 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.

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

In accordance with first-time adoption provisions of Canadian accounting standards for not-for-profit organizations, the Foundation has made the election as at the transition date, April 1, 2011, to measure all investments held at fair value at the transition date.

(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 dates of the financial statements and the reported amounts of revenue and expenses during the years. 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/ FONDATION DU COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Investments:

	March 31, 2013	March 31, 2012	April 1, 2011
Cash	\$ 234,622	\$ 361,251	\$ 184,118
Canadian short-term	443,384	934,338	900,135
Canadian bonds and debentures	2,266,947	2,261,188	2,169,762
Canadian equities	1,726,029	1,696,296	1,863,207
Foreign equities	2,692,149	2,361,991	2,335,567
	7,363,131	7,615,064	7,452,789
Pooled investment funds:			
Short-term	757,148	425,927	556,980
Fixed income	3,234,860	2,988,954	3,054,995
Dividend income	637,399	540,316	567,002
Balanced funds	722,896	675,497	686,801
Canadian equities	1,076,198	925,999	1,075,512
Foreign equities	1,797,624	1,648,339	1,744,984
	8,226,125	7,205,032	7,686,274
	\$ 15,589,256	\$ 14,820,096	\$ 15,139,063

4. Donation to The Frontier College:

The donation to The Frontier College comprises the following transfers:

	2013	2012
Endowment fund	\$ 508,517	\$ 645,561
Annual campaign	2,089,459	1,270,697
Prior year surplus	300,000	408,485
	\$ 2,897,976	\$ 2,324,743

FRONTIER COLLEGE FOUNDATION/ FONDATION DU COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. 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 in 2011 to provide funding for the operations of The Frontier 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:

	March 31, 2013	March 31, 2012	April 1, 2011
Internally restricted endowment fund	\$ 608,222	\$ 608,222	\$ 608,222
Legacy fund (10 year)	333,200	97,055	–
	<u>\$ 941,422</u>	<u>\$ 705,277</u>	<u>\$ 608,222</u>

6. 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 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 2012.

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 2012.