

Financial Statements of

**FRONTIER COLLEGE/
COLLÈGE FRONTIÈRE**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Frontier College/Collège Frontière

Qualified Opinion

We have audited the financial statements of Frontier College/Collège Frontière (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Entity 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and March 31, 2018
- the donation revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2019 and March 31, 2018



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- the net asset balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years March 31, 2019 and March 31, 2018
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2019 and March 31, 2018

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 28, 2019

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,696,274	\$ 6,190,751
Accounts receivable	553,580	519,741
Inventory and prepaid expenses	172,107	219,514
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	310,052	259,488
	<u>6,732,013</u>	<u>7,189,494</u>
Capital assets (note 3)	603,911	501,705
	<u>\$ 7,335,924</u>	<u>\$ 7,691,199</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 368,246	\$ 418,755
Deferred contributions (note 5(a))	5,851,425	6,282,725
Current portion of obligation under capital leases (note 6)	22,296	87,116
	<u>6,241,967</u>	<u>6,788,596</u>
Deferred contributions (note 5(b))	196,354	221,502
Obligation under capital leases (note 6)	113,319	1,817
	<u>309,673</u>	<u>223,319</u>
Net assets:		
Invested in capital assets (note 8)	271,942	191,270
Internally restricted (note 9)	339,537	274,537
Unrestricted	172,805	213,477
	<u>784,284</u>	<u>679,284</u>
Commitments (note 10)		
	<u>\$ 7,335,924</u>	<u>\$ 7,691,199</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Government grants and contracts:		
Federal	\$ 551,558	\$ 347,279
Provincial, territorial and indigenous	5,162,679	4,423,522
Municipal	89,924	84,258
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	536,000	518,259
Supplementary grant (note 7)	194,000	187,000
Fundraising	3,556,433	3,236,674
Interest income	36,290	27,465
Bookstore, fee for service and other	547,196	580,500
Amortization of deferred contributions - capital (note 5(b))	25,148	14,225
	<u>10,699,228</u>	<u>9,419,182</u>
Expenses:		
Salaries and benefits	7,391,508	6,552,490
Program materials and other costs	867,734	700,733
Travel	496,023	491,126
Human resources and staff/volunteer development	420,425	399,566
Equipment and information technology	299,958	308,997
Professional fees and insurance	240,723	104,255
Building occupancy	235,297	216,849
Fundraising	205,312	186,146
Publishing and promotion	148,186	42,989
Amortization	98,430	75,588
Cost of sales	97,083	98,682
Office costs	85,072	94,778
Interest on capital lease	8,477	16,983
	<u>10,594,228</u>	<u>9,289,182</u>
Excess of revenue over expenses	<u>\$ 105,000</u>	<u>\$ 130,000</u>

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

				2019	2018
	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total	Total
Balance, beginning of year	\$ 191,270	\$ 274,537	\$ 213,477	\$ 679,284	\$ 549,284
Excess (deficiency) of revenue over expenses	(59,066)	–	164,066	105,000	130,000
Interfund transfers	–	65,000	(65,000)	–	–
Net change in invested in capital assets	139,738	–	(139,738)	–	–
Balance, end of year	\$ 271,942	\$ 339,537	\$ 172,805	\$ 784,284	\$ 679,284

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 105,000	\$ 130,000
Items not involving cash:		
Gain on disposal of assets	(14,216)	-
Amortization of capital assets	98,430	75,588
Amortization of deferred contributions - capital	(25,148)	(14,225)
Change in non-cash operating working capital:		
Accounts receivable	(33,839)	(204,713)
Inventory and prepaid expenses	47,407	1,632
Accounts payable and accrued liabilities	(50,509)	200,270
Deferred contributions	(431,300)	21,398
Due from Frontier College Foundation/ Fondation de Collège Frontière	(50,564)	(40,000)
	(354,739)	169,950
Financing activities:		
Deferred contributions received - capital	-	187,840
Repayment of obligation under capital leases	(24,773)	(16,928)
	(24,773)	170,912
Investing activities:		
Additions to capital assets	(114,965)	(236,090)
Increase (decrease) in cash and cash equivalents	(494,477)	104,772
Cash and cash equivalents, beginning of year	6,190,751	6,085,979
Cash and cash equivalents, end of year	\$ 5,696,274	\$ 6,190,751

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements

Year ended March 31, 2019

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, 2019

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	10 years
Equipment under capital leases	Life of capital lease

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

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, 2019

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, 2019, the College had nil (2018 - nil) drawn on the line of credit.

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	\$ 178,247	\$ 58,564	\$ 119,683	\$ 129,815
Building improvements	241,830	26,862	214,968	208,532
Computer equipment	761,676	641,544	120,132	80,211
Equipment	49,591	37,413	12,178	6,764
Equipment under capital leases	153,412	16,462	136,950	76,383
	<u>\$ 1,384,756</u>	<u>\$ 780,845</u>	<u>\$ 603,911</u>	<u>\$ 501,705</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$1,708 (2018 - \$1,138), which include amounts payable for harmonized sales tax.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

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:

	2019	2018
Balance, beginning of year	\$ 6,282,725	\$ 6,261,327
Amount recognized as revenue	(5,171,715)	(4,344,138)
Amount received	4,740,415	4,365,536
Balance, end of year	\$ 5,851,425	\$ 6,282,725

(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:

	2019	2018
Balance, beginning of year	\$ 221,502	\$ 47,887
Contributions received	-	187,840
Amortization of deferred contributions - capital	(25,148)	(14,225)
Balance, end of year	\$ 196,354	\$ 221,502

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

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:

	2019	2018
2019	\$ —	\$ 87,116
2020	22,296	1,817
2021	23,787	—
2022	25,378	—
2023	27,075	—
2024	28,885	—
2025	8,194	—
	135,615	88,933
Less current portion	22,296	87,116
	\$ 113,319	\$ 1,817

7. Related party transactions:

The College recorded revenue of \$730,000 (2018 - \$705,259) from the Frontier College Foundation/Fondation de Collège Frontière. Revenue consisted of contributions from the endowment funds of \$536,000 (2018 - \$518,259) and supplementary grant of \$194,000 (2018 - \$187,000).

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.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Invested in capital assets:

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

	2019	2018
Capital assets	\$ 603,911	\$ 501,705
Amounts financed by capital leases	(135,615)	(88,933)
Amounts financed by deferred contributions - capital	(196,354)	(221,502)
	<u>\$ 271,942</u>	<u>\$ 191,270</u>

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

	2019	2018
Deficiency of revenue over expenses:		
Gain on disposal of assets	\$ 14,216	\$ -
Amortization of capital assets	(98,430)	(75,588)
Amortization of deferred contributions - capital	25,148	14,225
	<u>(59,066)</u>	<u>(61,363)</u>
Net change in investment in capital assets:		
Additions to capital assets	114,965	236,090
Amounts financed by deferred contributions - capital	-	(187,840)
Repayment of obligation under capital lease	24,773	16,928
	<u>139,738</u>	<u>65,178</u>
	<u>\$ 80,672</u>	<u>\$ 3,815</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 \$339,537 (2018 - \$274,537). The amount includes \$65,000 (2018 - \$80,000) of board-approved interfund transfers for building maintenance.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Commitments:

Under the terms of various operating leases for premises, the College is committed at March 31, 2019 to the following approximate minimum annual lease payments:

2020	\$ 88,177
2021	52,883
2022	19,311
	<hr/>
	\$ 160,371

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.

12. Comparative information:

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