

Financial Statements of

**THE FRONTIER COLLEGE/
LE COLLÈGE FRONTIÈRE**

Year ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Members of The Frontier College/
Le Collège Frontière

Report on the Financial Statements

We have audited the accompanying financial statements of The Frontier College/Le Collège Frontière, which comprise the statement of financial position as at March 31, 2014, 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 The Frontier College/Le Collège Frontière as at March 31, 2014, 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.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 24, 2014
Toronto, Canada

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

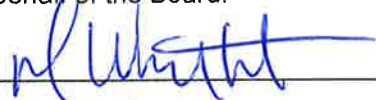
Statement of Financial Position


March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,619,110	\$ 1,670,934
Accounts receivable	109,087	191,996
Inventory and prepaid expenses	132,375	165,396
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	126,589	264,712
	<u>1,987,161</u>	<u>2,293,038</u>
Capital assets (note 3)	336,898	293,370
	<u>\$ 2,324,059</u>	<u>\$ 2,586,408</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 234,920	\$ 134,931
Deferred contributions (notes 5 and 9)	1,603,552	1,849,563
Current portion of obligation under capital leases (note 6)	31,778	39,168
	<u>1,870,250</u>	<u>2,023,662</u>
Obligation under capital leases (note 6)	159,403	90,456
Net assets:		
Internally restricted (note 8)	145,717	163,746
Unrestricted	148,689	308,544
	<u>294,406</u>	<u>472,290</u>
Subsequent events (note 13)		
	<u>\$ 2,324,059</u>	<u>\$ 2,586,408</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Governor

 Governor

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Government grants and contracts:		
Federal	\$ 230,211	\$ 295,931
Provincial	2,301,994	2,041,345
Municipal	81,663	60,917
Other grants and donations:		
Frontier College Foundation/ Fondation de Collège Frontière:		
Annual campaign (note 7)	1,273,398	1,559,264
Contribution from endowment (note 7)	509,105	508,517
Lieutenant Governor's Aboriginal Literacy Summer Camps (note 9)	774,478	931,696
Youth Challenge Fund	233,509	189,954
Interest income	16,219	25,173
Publications, workshops and consulting fees - bookstore	734,246	613,512
	<u>6,154,823</u>	<u>6,226,309</u>
Expenses:		
Salaries and benefits, fees and stipends (note 10)	4,492,194	4,275,918
Travel for training workshops and conferences	295,286	369,247
Equipment	221,652	260,071
Volunteer training	213,746	185,578
Program materials	213,208	177,201
Building occupancy	195,173	203,272
Professional fees and insurance	191,602	160,353
Other program	187,627	203,439
Office supplies	74,936	90,568
Amortization	66,302	66,534
Publishing and promotion	24,713	76,993
Educational and professional development	19,383	30,505
Interest on capital lease	13,091	11,714
Other	4,742	5,281
Cost of sales	119,052	149,615
	<u>6,332,707</u>	<u>6,266,289</u>
Deficiency of revenue over expenses	<u>\$ (177,884)</u>	<u>\$ (39,980)</u>

See accompanying notes to financial statements.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

			2014	2013
	Internally restricted (note 8)	Unrestricted	Total	Total
Balance, beginning of year	\$ 163,746	\$ 308,544	\$ 472,290	\$ 512,270
Deficiency of revenue over expenses	(66,302)	(111,582)	(177,884)	(39,980)
Net change in invested in capital assets	48,273	(48,273)	—	—
Balance, end of year	\$ 145,717	\$ 148,689	\$ 294,406	\$ 472,290

See accompanying notes to financial statements.

THE FRONTIER COLLEGE/ LE COLLEGE FRONTIERE

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (177,884)	\$ (39,980)
Items not involving cash:		
Amortization of capital assets	66,302	66,534
Loss on disposal of capital assets	112,306	-
Change in non-cash operating working capital:		
Accounts receivable	82,909	125,525
Inventory and prepaid expenses	33,021	6,134
Accounts payable and accrued liabilities	99,989	(132,125)
Deferred contributions	(246,011)	(164,919)
Due from Frontier College Foundation/ Foundation de Collège Frontière	138,123	(258,820)
	<u>108,755</u>	<u>(397,651)</u>
Financing activities:		
Repayment of obligation under capital leases	(38,442)	(36,282)
Increase in obligation under capital assets	99,999	-
	<u>61,557</u>	<u>(36,282)</u>
Investing activities:		
Additions to capital assets	(222,136)	-
Decrease in cash and cash equivalents	(51,824)	(433,933)
Cash and cash equivalents, beginning of year	1,670,934	2,104,867
Cash and cash equivalents, end of year	<u>\$ 1,619,110</u>	<u>\$ 1,670,934</u>

See accompanying notes to financial statements.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements

Year ended March 31, 2014

The Frontier College/Le 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.

Unrestricted investment income is recognized as revenue when earned.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2014

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

(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.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(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.

(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.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2014

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, 2014, the College had nil (2013 - nil) drawn on the line of credit.

3. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	\$ 159,840	\$ 29,451	\$ 130,389	\$ 134,385
Computer equipment	523,343	509,994	13,349	23,574
Equipment	34,517	32,538	1,979	5,787
Equipment under capital leases	212,961	21,780	191,181	129,624
	<u>\$ 930,661</u>	<u>\$ 593,763</u>	<u>\$ 336,898</u>	<u>\$ 293,370</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$3,114 (2013 - \$4,453), which include amounts payable for harmonized sales tax.

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:

	2014	2013
Balance, beginning of year	\$ 1,849,563	\$ 2,014,482
Amount recognized as revenue	(3,588,108)	(3,185,258)
Amount received	3,342,097	3,020,339
<u>Balance, end of year</u>	<u>\$ 1,603,552</u>	<u>\$ 1,849,563</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2014

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:

	2014	2013
2014	\$ —	\$ 39,168
2015	31,778	39,919
2016	33,718	43,061
2017	35,775	7,476
2018	37,958	—
2019	40,276	—
2020	11,676	—
	191,181	129,624
Less current portion	31,778	39,168
Obligation under capital leases	\$ 159,403	\$ 90,456

7. Related party transactions:

The College recorded revenue of \$1,782,503 (2013 - \$2,067,781) from Frontier College Foundation/Fondation de Collège Frontière (the "Foundation"). In addition to this revenue, \$889,819 (2013 - \$830,195) was raised for the Lieutenant Governor's Aboriginal Literacy Summer Camps and other project, and is included in deferred contributions. The Foundation raises funds to support the College's literacy programs. 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 have been restricted by the Board of Governors for the building. These net assets are the accumulation of previous development campaigns and related investment income. Amounts may be transferred for general use by the College if authorized by a 2/3 majority of the Board of Governors. Internally restricted net assets include amounts invested in capital assets of \$140,972 (2013 - \$163,746).

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2014

9. Lieutenant Governor's Aboriginal Literacy Summer Camps:

The office of the Lieutenant Governor asked the College to operate the Aboriginal Literacy Summer Camps in remote communities in Northern Ontario. This program was intended to run for a five-year period (2006 to 2010). The Lieutenant Governor had taken responsibility for securing the commitment of five-year funding of the program. At March 31, 2014, \$816,015 (2013 - \$768,336) has been raised for the camps. In the eighth year of operation, \$774,478 (2013 - \$931,696) was spent on the camps and \$734,143 (2013 - \$692,606) remains unspent. As agreed with the office of the Lieutenant Governor, the College will continue to operate the program with the remaining funds. These funds are included in deferred contributions as follows:

	2014	2013
Balance, beginning of year	\$ 692,606	\$ 855,966
Funds received	816,015	768,336
	1,508,621	1,624,302
Expenses	774,478	931,696
Funds deferred for future years	\$ 734,143	\$ 692,606

10. Reorganization costs:

Included in salaries and benefits, fees and stipends are reorganization costs of \$86,202 (2013 - nil).

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.

THE FRONTIER COLLEGE/ LE COLLÈGE FRONTIÈRE

Notes to Financial Statements (continued)

Year ended March 31, 2014

13. Subsequent events:

The College transitioned to the Canada Not-for-profit Corporations Act effective June 5, 2014. On transition, the name was changed to Frontier College.

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