Financial Statements of

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

And Independent Auditors' Report thereon

Year ended March 31, 2021

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

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, 2021
- 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, 2021, 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 fundraising, 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, 2021 and 2020
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2021 and 2020

- the net asset balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2021 and 2020
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2021 and 2020.

Our opinion on the financial statements for the year ended March 31, 2020 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.

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.

KPMG

- 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 25, 2021

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 6,545,116	$ 5,306,488
Accounts receivable	274,284	285,376
Inventory and prepaid expenses	278,194	237,063
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	303,253	287,563
	7,400,847	6,116,490
Capital assets (note 3)	582,300	601,013
	$ 7,983,147	$ 6,717,503
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 493,056	$ 458,160
Deferred contributions (note 5(a))	6,427,670	5,151,094
Current portion of obligation under capital leases (note 6)	25,378	23,787
	6,946,104	5,633,041
Deferred contributions - capital (note 5(b))	188,605	210,646
Obligation under capital leases (note 6)	64,154	89,532
	252,759	300,178
Net assets:		
Invested in capital assets (note 8)	304,163	277,048
Internally restricted (note 9)	339,537	339,537
Unrestricted	140,584	167,699
	784,284	784,284
Commitments (note 11)		
	$ 7,983,147	$ 6,717,503

See accompanying notes to financial statements.

On behalf of the Board:

S Anton Director

Suzanne Anton

Director

Peter Levitt

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Government grants and contracts:		
Provincial and territorial	$ 2,761,957	$ 3,679,007
Indigenous	657,377	1,525,169
Federal	407,173	264,815
Municipal	15,741	89,575
Canada Emergency Wage Subsidy	1,129,874	–
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	680,000	554,000
Supplementary grant (note 7)	188,000	200,000
Fundraising	2,103,808	4,265,922
Bookstore, fee for service and other	320,468	483,429
Interest income	19,054	34,229
Amortization of deferred contributions - capital (note 5(b))	22,041	26,508
	8,305,493	11,122,654
Expenses:		
Salaries and benefits	6,344,750	7,860,200
Equipment and information technology	502,347	312,363
Program materials and other costs	471,138	868,557
Building occupancy	244,051	244,423
Professional fees and insurance	175,374	212,912
Amortization	128,535	121,577
Cost of sales	116,030	148,365
Office costs	78,607	110,206
Fundraising	67,272	213,201
Publishing and promotion	58,761	85,128
Human resources and staff/volunteer development	57,078	379,109
Travel	54,740	558,313
Interest on capital lease	6,810	8,300
	8,305,493	11,122,654
Excess of revenue over expenses	$ –	$ –

See accompanying notes to financial statements.

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Invested in capital assets	Internally restricted	Unrestricted	2021 Total	2020 Total
	(note 8)	(note 9)			
Balance, beginning of year	$ 277,048	$ 339,537	$ 167,699	$ 784,284	$ 784,284
Excess (deficiency) of revenue over expenses	(106,494)	–	106,494	–	–
Net change in invested in capital assets	133,609	–	(133,609)	–	–
Balance, end of year	$ 304,163	$ 339,537	$ 140,584	$ 784,284	$ 784,284

See accompanying notes to financial statements.

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ –	$ –
Items not involving cash:		
Amortization of capital assets	128,535	121,577
Amortization of deferred contributions - capital	(22,041)	(26,508)
Change in non-cash operating working capital:		
Accounts receivable	11,092	268,204
Inventory and prepaid expenses	(41,131)	(64,956)
Accounts payable and accrued liabilities	34,896	89,914
Deferred contributions	1,276,576	(700,331)
Due from Frontier College Foundation/ Fondation de Collège Frontière	(15,690)	22,489
	1,372,237	(289,611)
Financing activities:		
Deferred contributions received - capital	–	40,800
Repayment of obligation under capital leases	(23,787)	(22,296)
	(23,787)	18,504
Investing activities:		
Additions to capital assets	(109,822)	(118,679)
Increase (decrease) in cash and cash equivalents	1,238,628	(389,786)
Cash and cash equivalents, beginning of year	5,306,488	5,696,274
Cash and cash equivalents, end of year	$ 6,545,116	$ 5,306,488

See accompanying notes to financial statements.

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 are recognized when the services are provided or the goods are sold.

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. Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to College's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

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

1. Significant accounting policies (continued):

(d) Donated goods and services:

The College benefits from donated goods and services, particularly book donations and volunteer services. 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.

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 $500,000. The credit facility bears interest at the bank's prime rate plus 1% and is repayable upon demand. At March 31, 2021, the College had nil (2020 - nil) drawn on the line of credit.

3. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	$ 178,249	$ 75,760	$ 102,489	$ 109,554
Building improvements	310,408	65,963	244,445	265,138
Computer equipment	921,597	781,205	140,392	104,271
Equipment	49,591	40,428	9,163	10,670
Equipment under capital leases	153,412	67,601	85,811	111,380
	$ 1,613,257	$ 1,030,957	$ 582,300	$ 601,013

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $729 (2020 - $1,070), which include amounts payable for harmonized sales tax.

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:

	2021	2020
Balance, beginning of year	$ 5,151,094	$ 5,851,425
Amount recognized as revenue	(2,426,797)	(5,277,067)
Amount received	3,703,373	4,576,736
Balance, end of year	$ 6,427,670	$ 5,151,094

(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:

	2021	2020
Balance, beginning of year	$ 210,646	$ 196,354
Contributions received	–	40,800
Amortization of deferred contributions - capital	(22,041)	(26,508)
Balance, end of year	$ 188,605	$ 210,646

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:

	2021	2020
2021	$ –	$ 23,787
2022	25,378	25,378
2023	27,075	27,075
2024	28,885	28,885
2025	8,194	8,194
	89,532	113,319
Less current portion	25,378	23,787
	$ 64,154	$ 89,532

7. Related party transactions:

The College and Frontier College Foundation/Fondation de Collège Frontière (the "Foundation") are related parties by virtue of the Foundation's responsibility of exclusively supporting the College's programming with its endowments and donations received. The College and the Foundation also have some common board members. During the year, the College recorded revenue of $868,000 (2020 - $754,000) from the Frontier College Foundation/Fondation de Collège Frontière. Revenue consisted of contributions from the endowment funds of $680,000 (2020 - $554,000) and supplementary grant of $188,000 (2020 - $200,000).

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.

8. Invested in capital assets:

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

	2021	2020
Capital assets	$ 582,300	$ 601,013
Amounts financed by capital leases	(89,532)	(113,319)
Amounts financed by deferred contributions - capital	(188,605)	(210,646)
	$ 304,163	$ 277,048

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

	2021	2020
Deficiency of revenue over expenses:		
Amortization of capital assets	$ (128,535)	$ (121,577)
Amortization of deferred contributions - capital	22,041	26,508
	(106,494)	(95,069)
Net change in investment in capital assets:		
Additions to capital assets	109,822	118,679
Amounts financed by deferred contributions - capital	–	(40,800)
Repayment of obligation under capital leases	23,787	22,296
	133,609	100,175
	$ 27,115	$ 5,106

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 (2020 - $339,537). There are no interfund transfers in 2021.

10. Contract with the Ministry of Children, Community and Social Services:

The College has a service contract with the Ontario Ministry of Children, Community and Social Services ("MCCSS"). Any resulting surplus pertaining to the contract would be repayable to MCCSS. The following is a summary of revenues and expenses for the year ended March 31, 2021 for the services funded by the contract:

Detail code	Service name	MCCSS funding	Net expenses	Surplus
D704	DS Community Participation Services and Supports	$ 85,365	$ 85,365	$ –

11. Commitments:

Under the terms of various operating leases for premises, the College is committed at March 31, 2021 to the following approximate minimum annual lease payments:

2022	$ 104,954
2023	16,480
	$ 121,434

12. 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.

General economic risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, COVID-19 pandemic has been impacted the global economic environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and the College's response to the COVID-19 pandemic has an operational and financial impact on the College. The full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.