Financial Statements of

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

And Independent Auditors' Report thereon

Year ended March 31, 2020

KPMG LLP
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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, 2020
- 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, 2020, 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, 2020 and 2019
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2020 and 2019

- 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, 2020 and 2019
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2020 and 2019

Our opinion on the financial statements for the year ended March 31, 2019 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.

Other information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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.
- 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

September 26, 2020

FRONTIER COLLEGE/
COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 5,306,488	$ 5,696,274
Accounts receivable	285,376	553,580
Inventory and prepaid expenses	237,063	172,107
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	287,563	310,052
	6,116,490	6,732,013
Capital assets (note 3)	601,013	603,911
	$ 6,717,503	$ 7,335,924
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 458,160	$ 368,246
Deferred contributions (note 5(a))	5,151,094	5,851,425
Current portion of obligation under capital leases (note 6)	23,787	22,296
	5,633,041	6,241,967
Deferred contributions - capital (note 5(b))	210,646	196,354
Obligation under capital leases (note 6)	89,532	113,319
	300,178	309,673
Net assets:		
Invested in capital assets (note 8)	277,048	271,942
Internally restricted (note 9)	339,537	339,537
Unrestricted	167,699	172,805
	784,284	784,284
Commitments (note 10)		
Subsequent event (note 12)		
	$ 6,717,503	$ 7,335,924

See accompanying notes to financial statements.

On behalf of the Board:

_____________________ Director

_____________________ Director

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government grants and contracts:		
Provincial and territorial	$ 3,679,007	$ 3,748,518
Indigenous	1,525,169	1,414,161
Federal	264,815	551,558
Municipal	89,575	89,924
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	554,000	536,000
Supplementary grant (note 7)	200,000	194,000
Fundraising	4,265,922	3,556,433
Bookstore, fee for service and other	483,429	547,196
Interest income	34,229	36,290
Amortization of deferred contributions - capital (note 5(b))	26,508	25,148
	11,122,654	10,699,228
Expenses:		
Salaries and benefits	7,860,200	7,391,508
Program materials and other costs	868,557	867,734
Travel	558,313	496,023
Human resources and staff/volunteer development	379,109	420,425
Equipment and information technology	312,363	299,958
Building occupancy	244,423	235,297
Fundraising	213,201	205,312
Professional fees and insurance	212,912	240,723
Cost of sales	148,365	97,083
Amortization	121,577	98,430
Office costs	110,206	85,072
Publishing and promotion	85,128	148,186
Interest on capital lease	8,300	8,477
	11,122,654	10,594,228
Excess of revenue over expenses	$ –	$ 105,000

See accompanying notes to financial statements.

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Invested in capital assets	Internally restricted	Unrestricted	2020 Total	2019 Total
	(note 8)	(note 9)			
Balance, beginning of year	$ 271,942	$ 339,537	$ 172,805	$ 784,284	$ 679,284
Excess (deficiency) of revenue over expenses	(95,069)	–	95,069	–	105,000
Net change in invested in capital assets	100,175	–	(100,175)	–	–
Balance, end of year	$ 277,048	$ 339,537	$ 167,699	$ 784,284	$ 784,284

See accompanying notes to financial statements.

FRONTIER COLLEGE/
COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ –	$ 105,000
Items not involving cash:		
Gain on disposal of assets	–	(14,216)
Amortization of capital assets	121,577	98,430
Amortization of deferred contributions - capital	(26,508)	(25,148)
Change in non-cash operating working capital:		
Accounts receivable	268,204	(33,839)
Inventory and prepaid expenses	(64,956)	47,407
Accounts payable and accrued liabilities	89,914	(50,509)
Deferred contributions	(700,331)	(431,300)
Due from Frontier College Foundation/ Fondation de Collège Frontière	22,489	(50,564)
	(289,611)	(354,739)
Financing activities:		
Deferred contributions received - capital	40,800	–
Repayment of obligation under capital leases	(22,296)	(24,773)
	18,504	(24,773)
Investing activities:		
Additions to capital assets	(118,679)	(114,965)
Decrease in cash and cash equivalents	(389,786)	(494,477)
Cash and cash equivalents, beginning of year	5,696,274	6,190,751
Cash and cash equivalents, end of year	$ 5,306,488	$ 5,696,274

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. Accounts requiring significant estimates and assumptions include accounts payable and accrued liabilities, deferred contributions and amortization expense. 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, 2020, the College had nil (2019 - nil) drawn on the line of credit.

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Building and leasehold improvements	$ 178,249	$ 68,695	$ 109,554	$ 119,683
Building improvements	310,408	45,270	265,138	214,968
Computer equipment	811,775	707,504	104,271	120,132
Equipment	49,591	38,921	10,670	12,178
Equipment under capital leases	153,412	42,032	111,380	136,950
	$ 1,503,435	$ 902,422	$ 601,013	$ 603,911

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $1,070 (2019 - $1,708), 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:

	2020	2019
Balance, beginning of year	$ 5,851,425	$ 6,282,725
Amount recognized as revenue	(5,277,067)	(5,171,715)
Amount received	4,576,736	4,740,415
Balance, end of year	$ 5,151,094	$ 5,851,425

(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:

	2020	2019
Balance, beginning of year	$ 196,354	$ 221,502
Contributions received	40,800	–
Amortization of deferred contributions - capital	(26,508)	(25,148)
Balance, end of year	$ 210,646	$ 196,354

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:

	2020	2019
2020	$ –	$ 22,296
2021	23,787	23,787
2022	25,378	25,378
2023	27,075	27,075
2024	28,885	28,885
2025	8,194	8,194
	113,319	135,615
Less current portion	23,787	22,296
	$ 89,532	$ 113,319

7. Related party transactions:

The College and Frontier College Foundation/Fondation de College Frontiere (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 $754,000 (2019 - $730,000) from the Frontier College Foundation/Fondation de Collège Frontière. Revenue consisted of contributions from the endowment funds of $554,000 (2019 - $536,000) and supplementary grant of $200,000 (2019 - $194,000).

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:

	2020	2019
Capital assets	$ 601,013	$ 603,911
Amounts financed by capital leases	(113,319)	(135,615)
Amounts financed by deferred contributions - capital	(210,646)	(196,354)
	$ 277,048	$ 271,942

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

	2020	2019
Deficiency of revenue over expenses:		
Gain on disposal of assets	$ –	$ 14,216
Amortization of capital assets	(121,577)	(98,430)
Amortization of deferred contributions - capital	26,508	25,148
	(95,069)	(59,066)
Net change in investment in capital assets:		
Additions to capital assets	118,679	114,965
Amounts financed by deferred contributions - capital	(40,800)	–
Repayment of obligation under capital lease	22,296	24,773
	100,175	139,738
	$ 5,106	$ 80,672

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 (2019 - $339,537). In 2019, the Board approved interfund transfers of $65,000 for building maintenance. There are no interfund transfers in 2020.

10. Commitments:

Under the terms of various operating leases for premises, the College is committed at March 31, 2020 to the following approximate minimum annual lease payments:

2021	$ 79,421
2022	36,476
2023	3,150
	$ 119,047

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. Subsequent event:

In the month of March, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The current events and conditions are expected to be temporary. However, there is uncertainty around the length of the disruption and impact on future operations, including potential future decreases in revenue and cash flows. An estimate of the financial effect of these items is not practicable at this time.

13. Comparative information:

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