Financial Statements of

FRONTIER COLLEGE/ COLLÈGE FRONTIÈRE

And Independent Auditors' Report thereon

Year ended March 31, 2022

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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, 2022
- 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, 2022, 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, 2022 and 2021
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2022 and 2021

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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 ended March 31, 2022 and 2021
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2022 and 2021.

Our opinion on the financial statements for the year ended March 31, 2021 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.

- 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, 2022

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 6,792,179	$ 6,545,116
Accounts receivable	599,736	274,284
Inventory and prepaid expenses	213,115	278,194
Due from Frontier College Foundation/ Fondation de Collège Frontière (note 7)	227,224	303,253
	7,832,254	7,400,847
Capital assets (note 3)	552,420	582,300
	$ 8,384,674	$ 7,983,147
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 639,699	$ 493,056
Deferred contributions (note 5(a))	6,705,780	6,427,670
Current portion of obligation under capital leases (note 6)	15,834	25,378
	7,361,313	6,946,104
Deferred contributions - capital (note 5(b))	190,757	188,605
Obligation under capital leases (note 6)	48,320	64,154
	239,077	252,759
Net assets:		
Invested in capital assets (note 8)	297,509	304,163
Internally restricted (note 9)	339,537	339,537
Unrestricted	147,238	140,584
	784,284	784,284
Commitments (note 11)		
	$ 8,384,674	$ 7,983,147

See accompanying notes to financial statements.

On behalf of the Board:

Director

Suzanne Anton

Director

Peter Levitt

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Government grants and contracts:		
Provincial and territorial	$ 4,027,196	$ 2,761,957
Indigenous	1,089,223	657,377
Federal	670,531	407,173
Municipal	69,734	15,741
Canada Emergency Wage Subsidy	71,482	1,129,874
Frontier College Foundation/Fondation de Collège Frontière:		
Contribution from endowment (note 7)	703,500	680,000
Supplementary grant (note 7)	497,526	188,000
Fundraising	2,971,636	2,103,808
Bookstore, fee for service and other	404,559	320,468
Interest income	21,689	19,054
Amortization of deferred contributions - capital (note 5(b))	16,848	22,041
	10,543,924	8,305,493
Expenses:		
Salaries and benefits	7,935,307	6,344,750
Program materials and other costs	981,380	471,138
Equipment and information technology	420,149	502,347
Building occupancy	261,829	244,051
Professional fees and insurance	209,136	175,374
Publishing and promotion	149,545	58,761
Amortization	137,637	128,535
Travel	136,032	54,740
Human resources and staff/volunteer development	118,047	57,078
Office costs	75,972	78,607
Fundraising	69,091	67,272
Cost of sales	44,571	116,030
Interest on capital lease	5,228	6,810
	10,543,924	8,305,493
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, 2022, with comparative information for 2021

	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	$ 304,163	$ 339,537	$ 140,584	$ 784,284	$ 784,284
Excess (deficiency) of revenue over expenses	(120,789)	–	120,789	–	–
Net change in invested in capital assets	114,135	–	(114,135)	–	–
Balance, end of year	$ 297,509	$ 339,537	$ 147,238	$ 784,284	$ 784,284

See accompanying notes to financial statements.

FRONTIER COLLEGE/COLLÈGE FRONTIÈRE

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	$	–	$	–
Items not involving cash:				
Amortization of capital assets		137,637		128,535
Amortization of deferred contributions - capital		(16,848)		(22,041)
Change in non-cash operating working capital:				
Accounts receivable		(325,452)		11,092
Inventory and prepaid expenses		65,079		(41,131)
Accounts payable and accrued liabilities		146,643		34,896
Deferred contributions		278,110		1,276,576
Due from Frontier College Foundation/ Fondation de Collège Frontière		76,029		(15,690)
		361,198		1,372,237
Financing activities:				
Deferred contributions received - capital		19,000		–
Repayment of obligation under capital leases		(25,378)		(23,787)
		(6,378)		(23,787)
Investing activities:				
Additions to capital assets		(107,757)		(109,822)
Increase in cash and cash equivalents		247,063		1,238,628
Cash and cash equivalents, beginning of year		6,545,116		5,306,488
Cash and cash equivalents, end of year	$	6,792,179	$	6,545,116

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) Inventories

Inventory relates to bookstore supplies. The bookstore sells items to Frontier College's students, partners of their programs and teachers outside the organization. Inventories are valued at the lower of cost and net realizable value.

(d) 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
Leasehold improvements	Term of lease
Building improvements	15 years
Computer equipment	3 years
Equipment	10 years
Equipment under capital leases	Life of capital lease

1. Significant accounting policies (continued):

(e) 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.

(f) 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):

(g) 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, 2022, the College had nil (2021 - nil) drawn on the line of credit.

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Building and leasehold improvements	$ 178,249	$ 79,757	$ 98,492	$ 102,489
Building improvements	379,561	88,962	290,599	244,445
Computer equipment	776,277	680,846	95,431	140,392
Equipment	42,305	34,649	7,656	9,163
Equipment under capital leases	153,412	93,170	60,242	85,811
	$ 1,529,804	$ 977,384	$ 552,420	$ 582,300

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $602 (2021 - $729), 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:

	2022	2021
Balance, beginning of year	$ 6,427,670	$ 5,151,094
Amount recognized as revenue	(4,734,778)	(2,426,797)
Amount received	5,012,888	3,703,373
Balance, end of year	$ 6,705,780	$ 6,427,670

(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:

	2022	2021
Balance, beginning of year	$ 188,605	$ 210,646
Contributions received	19,000	–
Amortization of deferred contributions - capital	(16,848)	(22,041)
Balance, end of year	$ 190,757	$ 188,605

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:

	2022	2021
2022	$ –	$ 25,378
2023	15,834	27,075
2024	17,928	28,885
2025	19,959	8,194
2026	10,433	–
	64,154	89,532
Less current portion	15,834	25,378
	$ 48,320	$ 64,154

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 $1,201,026 (2021 - $868,000) from the Foundation. Revenue consisted of contributions from the endowment funds of $703,500 (2021 - $680,000) and supplementary grant of $497,526 (2021 - $188,000).

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:

	2022	2021
Capital assets	$ 552,420	$ 582,300
Amounts financed by capital leases	(64,154)	(89,532)
Amounts financed by deferred contributions - capital	(190,757)	(188,605)
	$ 297,509	$ 304,163

8. Invested in capital assets (continued):

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

	2022	2021
Deficiency of revenue over expenses:		
Amortization of capital assets	$ (137,637)	$ (128,535)
Amortization of deferred contributions - capital	16,848	22,041
	(120,789)	(106,494)
Net change in investment in capital assets:		
Additions to capital assets	107,757	109,822
Amounts financed by deferred contributions - capital	(19,000)	–
Repayment of obligation under capital leases	25,378	23,787
	114,135	133,609
	$ (6,654)	$ 27,115

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 (2021 - $339,537). There are no interfund transfers in 2022.

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. Included in Provincial and territorial revenue is MCCSS funding and included in salaries and benefits, programs materials and other costs and equipment is MCCSS net expenses for the Community Participation Services and Supports. The funding of $19,000 provided by MCCSS below is included in deferred capital contribution. At March 31, 2022, $633 had been recognized as revenue in amortization of deferred capital contributions and as expenses in amortization. The following is a summary of revenues and expenses for the year ended March 31, 2022 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	$ –
	Partner Facility Renewal Minor Capital	19,000	19,000	–

11. Commitments:

Under the terms of various operating leases for premises, the College is committed at March 31, 2022 to the following approximate minimum annual lease payments:

2023	$ 79,574
2024	50,874
2025	33,418
	$ 163,866

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.

13. Subsequent events:

Subsequent to year-end, the College changed its name to United for Literacy on April 4, 2022 by completing a filing process with the Innovation, Science an Economic Development Canada under section 201 of the Canada Not-for-Profit Corporations Act.

The College intends to continue using their previous name (Frontier College) until this name change has been processed by the Canada Revenue Agency and after a formal launch of the name change which will occur when a new president has been appointed.