

Lester B. Pearson School Board
Financial Statements
June 30, 2021

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9/8/2021

Independent Auditor's Report

To the Council of Commissioners of
Lester B. Pearson School Board

Opinion

We have audited the financial statements of Lester B. Pearson School Board (hereafter "the School Board"), which comprise the statement of financial position as at June 30, 2021, and the statement of operations, the statement of accumulated operating surplus, the statement of changes in net debt and the statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School Board as at June 30, 2021, and the results of its activities, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the School Board 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 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 public sector accounting standards, 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 School Board'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 School Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 School Board'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 School Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the School Board 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.

We 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.

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Montréal
●, 2021

¹ CPA auditor, CA public accountancy permit no. A

Lester B. Pearson School Board

Statement of Financial Position

June 30, 2021

	2021	(Restated) 2020
	\$	\$
FINANCIAL ASSETS		
Cash	1,679,434	996,549
Operating grants receivable (Note 5)	30,518,124	29,824,216
Grants related to the acquisition of property and equipment	272,959,625	254,271,771
Financing grants receivable	1,342,672	1,226,034
Accounts receivable (Note 6)	8,275,785	8,818,751
	<u>314,775,640</u>	<u>295,137,321</u>
LIABILITIES		
Accounts payable (Note 7)	93,602,528	50,017,258
Deferred contributions related to the acquisition of property and equipment (Note 8)	262,496,976	242,177,118
Deferred revenues	4,206,564	5,969,089
Allowance for employee benefits (Note 9)	16,567,877	16,304,563
Environmental liability	1,371,029	1,254,391
Other liabilities (Note 10)	229,441,120	237,847,217
	<u>607,686,094</u>	<u>553,569,636</u>
	<u>(292,910,454)</u>	<u>(258,432,315)</u>
NET DEBT		
NON-FINANCIAL ASSETS		
Property and equipment (Note 11)	289,618,241	269,579,337
Prepaid expenditures	123,368	89,674
	<u>289,741,609</u>	<u>269,669,011</u>
ACCUMULATED OPERATING SURPLUS	<u>(3,168,845)</u>	<u>11,236,696</u>

The accompanying notes are an integral part of the financial statements.

Lester B. Pearson School Board
Statement of Financial Position
 June 30, 2021

COVID-19		
	<u>Losses</u>	<u>Gains</u>
Loss of Revenue		
MEQ Operating Grant	(3,721,574.00) \$	
Sales of goods & services	(5,077,772.00) \$	
Other revenues	(655,360.00) \$	
Extra Costs		
Operating	(1,340,442.00) \$	
Remuneration	(4,120,049.00) \$	
Extra MEQ Grants		
Compensation for 19-20 (F.P.)		5,380,560.00 \$
Measures		2,280,219.00 \$
Extra Covid Measure		8,665,330.00 \$ *
	<u>(14,915,197.00) \$</u>	<u>16,326,109.00 \$</u>
With this we were able to cover most of the "Covid deficits" in the Daycares :		
	<u>DAYCARES</u>	
Pre-Covid Total Surplus & (Deficits)	(668,545)	
Post-Covid Total (Deficits)	(6,365,114)	
Difference	<u>(5,696,569)</u>	
Extra "Budget" of was allocated to the Daycares		5,637,224.00 \$

Lester B. Pearson School Board

Statement of Operations

Year ended June 30, 2021

	2021	(Restated) 2020
	\$	\$
Revenues		
Ministère de l'Éducation (MEQ) operating grants	234,010,790	207,340,118
School taxes	63,023,130	63,911,102
Other operating revenues	21,835,329	25,651,205
Transportation grants – MEQ	6,413,031	5,618,528
	<u>325,282,280</u>	<u>302,520,953</u>
Expenditures		
Teaching services	152,025,878	145,825,954
Educational support activities	75,348,363	75,980,004
Extracurricular activities	12,931,135	13,988,392
Transportation	14,463,382	12,250,289
Administrative activities	13,411,859	13,139,808
Energy	4,575,457	4,379,358
Amortization of property and equipment	17,016,160	14,932,233
Maintenance and caretaking	18,643,807	17,057,996
Financing costs	723,162	244,292
Subsidized schools in the public interest	11,648,631	11,261,238
Other	18,463,020	1,949,695
Net change in the provision for fringe benefits	263,314	(704,588)
Amortization of financing fees	173,653	173,405
Loss on disposal of property and equipment		329
	<u>339,687,821</u>	<u>310,478,405</u>
Excess of expenditures over revenues	<u>(14,405,541)</u>	<u>(7,957,452)</u>

The accompanying notes are an integral part of the financial statements.

Lester B. Pearson School Board Statement of Operations

Year ended June 30, 2021

* apply 5,380,560 to 19-20:

	2021	(Restated) 2020	2019	2018	2017
	\$	\$	\$	\$	\$
Revenues					
Ministère de l'Éducation (MEQ) operating grants	228,630,230	212,720,678	201,808,301	191,057,964	176,575,425
School taxes	63,023,130	63,911,102	64,987,262	64,618,800	62,439,428
Other operating revenues	21,835,329	25,651,205	36,241,101	35,380,328	55,387,977
Transportation grants – MEQ	6,413,031	5,618,528	6,246,244	6,115,866	5,532,463
	<u>319,901,720</u>	<u>307,901,513</u>	<u>309,282,908</u>	<u>297,172,958</u>	<u>299,935,293</u>
Expenditures					
Teaching services	152,025,878 *	145,825,954	143,280,393	142,032,535	142,852,024
Educational support activities	75,348,363 *	75,980,004	75,997,592	71,186,287	67,564,443
Extracurricular activities	12,931,135	13,988,392	13,286,829	12,534,468	11,919,589
Transportation	14,463,382	12,250,289	13,882,048	13,641,310	13,374,671
Administrative activities	13,411,859 *	13,139,808	13,320,258	12,478,617	11,898,668
Energy	4,575,457	4,379,358	5,596,881	5,561,037	5,275,588
Amortization of property and equipment	17,016,160	14,932,233	14,458,266	14,007,243	13,557,521
Maintenance and caretaking	18,643,807 *	17,057,996	16,210,076	16,614,026	15,094,857
Financing costs	723,162	244,292	11,525	143,265	197,137
Subsidized schools in the public interest	11,648,631	11,261,238	10,919,348	10,578,368	9,832,021
Other	18,463,020	1,949,695	2,234,166	5,164,487	1,964,096
Net change in the provision for fringe benefits	263,314	(704,588)	502,687	(760,139)	397,582
Amortization of financing fees	173,653	173,405			
Loss on disposal of property and equipment		329			172,119
	<u>339,687,821</u>	<u>310,478,405</u>	<u>309,700,069</u>	<u>303,181,504</u>	<u>294,100,316</u>
Excess of expenditures over revenues	<u>(19,786,101)</u>	<u>(2,576,892)</u>	<u>(417,161)</u>	<u>(6,008,546)</u>	<u>5,834,977</u>
Salary provisions and Pay Equity	16,982,541 *				
Revenue adjustment (sales of property to other SB)			(1,642,051)		(3,384,792)
	<u>(2,803,560)</u>	<u>(2,576,892)</u>	<u>(2,059,212)</u>	<u>(6,008,546)</u>	<u>2,450,185</u>

Lester B. Pearson School Board

Statement of Accumulated Operating Surplus

Year ended June 30, 2021

	2021	(Restated) 2020
	\$	\$
Balance, beginning of year		
Balance, as previously reported	20,974,841	28,932,293
Restatement (note 3)	(9,738,145)	(9,738,145)
Balance, as restated	11,236,696	19,194,148
Excess of expenditures over revenues	(14,405,541)	(7,957,452)
Balance Surplus (Deficit), end of year	(3,168,845)	11,236,696

The accompanying notes are an integral part of the financial statements.

Lester B. Pearson School Board Statement of Changes in Net Debt

Year ended June 30, 2021

	2021	(Restated) 2020
	\$	\$
Balance, beginning of year	<u>(258,432,315)</u>	<u>(236,709,941)</u>
Excess of expenditures over revenues	<u>(14,405,541)</u>	<u>(7,957,452)</u>
Variations due to property and equipment		
Property and equipment purchases	(37,055,064)	(40,104,499)
Amortization of property and equipment	17,016,160	14,932,233
Loss on disposal of property and equipment		329
Proceeds on disposal of property and equipment		11,427,348
	<u>(20,038,904)</u>	<u>(13,744,589)</u>
Variation due to prepaid expenditures	<u>(33,694)</u>	<u>(20,333)</u>
Increase in net debt	<u>(34,478,139)</u>	<u>(21,722,374)</u>
Balance, end of year	<u><u>(292,910,454)</u></u>	<u><u>(258,432,315)</u></u>

The accompanying notes are an integral part of the financial statements.

Lester B. Pearson School Board

Statement of Cash Flows

Year ended June 30, 2021

	2021	(Restated) 2020
	\$	\$
OPERATING ACTIVITIES		
Excess of expenditures over revenues	(14,405,541)	(7,957,452)
Non-cash items		
Doubtful accounts	271,174	573,625
Allowance for employee benefits	263,314	(704,588)
Prepaid expenditures	(33,694)	(20,333)
Amortization of deferred contributions related to the acquisition of property and equipment	(16,122,061)	(303,965)
Amortization of property and equipment	17,016,160	14,932,233
Loss on disposal of property and equipment		329
Variations due to operating assets and liabilities	70,272,383	18,882,617
Cash flows from operating activities	<u>57,261,735</u>	<u>25,402,466</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(56,578,850)	(37,788,527)
Proceeds on disposal of property and equipment		11,427,348
Cash flows from investing activities	<u>(56,578,850)</u>	<u>(26,361,179)</u>
Net increase (decrease) in cash	682,885	(958,713)
Cash, beginning of year	<u>996,549</u>	<u>1,955,262</u>
Cash, end of year	<u><u>1,679,434</u></u>	<u><u>996,549</u></u>

The accompanying notes are an integral part of the financial statements.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The School Board was incorporated under decree 1014-97 of the Education Act on August 13 1997. The financial statements have been prepared to satisfy the requirements of Section 287 of the Education Act (CQLR, c. I-13.3).

The School Board's mission is to organize, for the benefit of the persons who come under its jurisdiction, the educational services provided for by the Education Act and by the basic school regulations established by the Government. The School Board's mission is also to promote and enhance the status of public education within its territory, to see to the quality of educational services and the success of students so that the population may attain a higher level of formal education and qualification, and to contribute, to the extent provided for by law, to the social, cultural and economic development of its region.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and basis of presentation

The School Board's financial statements are prepared in accordance with Canadian public sector accounting standards of the *CPA Canada Public Sector Accounting Handbook*, and use of any other source of generally accepted accounting principles must be consistent with the Handbook. The information provided in the financial statements is based on management's best judgments and estimates.

Accounting estimates

The preparation of the School Board's financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the recognition of assets and liabilities, the presentation of assets and contingent liabilities at the financial statements date and the recognition of revenues and expenditures for the period presented in the financial statements. Estimates and assumptions were used to evaluate the main items, such as useful lives of property and equipment, accrued liabilities, allowance for employee benefits and environmental liability. Actual results may differ from management's best estimates.

Financial assets

Cash and cash equivalents

The School Board's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn

Accounts receivable

Accounts receivable, excluding commodity taxes receivable, are initially recorded at cost and revalued at the net recoverable value with the use of an allowance for doubtful accounts. The annual variation of this provision is included in the expenditures.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

Deferred contributions related to the acquisition of property and equipment

The contributions received for the acquisition of property and equipment are deferred and amortized in the statement of operations on the same basis and over the same period as the related property and equipment, in accordance with the stipulations of these government transfers.

Deferred revenues

Amounts received for revenues that will be earned in a subsequent period are deferred and presented as deferred revenues in liabilities in the statement of financial position.

Revenues can be recognized as deferred revenues if they meet the following three stipulations

- Under purpose stipulations, the School Board has little or no discretionary power on how the transferred resources are used;
- Under time stipulations, the School Board has little or no discretionary power on the periods during which the received amounts must be used or consumed;
- Under accountability stipulations, execution is constantly monitored and failure to comply with the transfer conditions results in sanctions, such as repayment of the transferred resources.

Pension plans

Members of the School Board's staff participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des enseignants (RRE) or the Régime de retraite du personnel d'encadrement (RRPE). These multiemployer plans are defined benefit plans with guaranteed retirement and death benefits. The School Board's contributions to these government retirement plans for the period are assumed by the Government of Quebec and are not included in the financial statements.

Allowance for employee benefits

Long-term obligations under other employee benefit plans, such as sick leave, vacation, accumulated overtime, wages insurance coverage and other benefits (maternity and paternity leave) are recognized at cost in liabilities. The change in the provision for the period is recognized in expenditures.

School Board's share of the long-term debt subject to a pledge of grant held by the Comité de gestion de la taxe scolaire de l'île de Montréal (CGTSIM)

The School Board's share of the long-term debt subject to a pledge of grant held by the CGTSIM is recognized as the amounts are received, adjusted for the amortization of the discount or premium, up to the amount of capital to repay on maturity.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental liability

Obligations resulting from the decontamination of contaminated sites under the responsibility of the School Board, or that may likely fall under its responsibility, are recognized as environmental liability as soon as the contamination exceeds environmental standards, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

The environmental liability includes estimated costs of contaminated site management and decontamination. The School Board used various methods to estimate the rehabilitation and management costs, including site characterization studies or comparative analyses. For each contaminated site, the estimated cost is increased to reflect the degree of accuracy associated with the method used. Costs are evaluated based on the best information available and reviewed annually.

Furthermore, the Government of Quebec stated that it would assume the costs of decontamination of contaminated land existing as at March 31, 2008 and inventoried as a March 31, 2011, as well as the variances of these liabilities as at June 30, 2020. Consequently the School Board is able to recognize an account receivable from the Government of Quebec to offset the costs associated with this environmental liability. All liabilities recognized after March 31, 2011 for non-inventoried land at that date are assumed by the School Board and recorded in its operations for the related fiscal year.

Non-financial assets

Property and equipment

Property and equipment are non-financial assets acquired, built, developed or improved, whose useful lives extend beyond the period, and are intended to be used sustainably for the production of goods or delivery of service.

Property and equipment are recognized at cost. With the exception of land, the cost of property and equipment is amortized according to the straight-line method over the following periods

	<u>Periods</u>
Land development	10 or 20 years
Buildings and major building improvements	25 to 50 years
Material and equipment	3 to 15 years
Specialized pedagogical equipment	10 or 20 years
Complex networks	20 years

Property and equipment under construction, development or improvement are not amortized until they are put into service.

Works of art and historical treasures consist primarily of paintings, sculptures, drawings and installations and their cost is expensed in the year of acquisition.

Items of property and equipment that are contributed or acquired for a nominal value are recognized at their fair value at the time of acquisition.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

The amounts received from organizations are recognized in liabilities as deferred revenues and are gradually transferred to the operating results and amortized on the same basis and over the same period as the related property and equipment. However, the contributions received for the acquisition of land are recognized in revenues in the year of acquisition.

If circumstances indicate that an item of property and equipment no longer contributes to the School Board's ability to provide goods and services or that the value of the item's future economic benefits is less than its net carrying amount, the cost of the item of property and equipment is reduced to reflect the decline in value.

Prepaid expenditures

Prepaid expenditures represent payments made before the financial year-end for services which the School Board will benefit from during or beyond the upcoming fiscal years. These costs will be added to the expenditures when the School Board benefits from the services paid for.

Revenue recognition

Subsidy revenue from the MEQ and other ministries and organizations is recognized in the period during which the transfers are authorized and the School Board has satisfied the eligibility criteria for that period's budgetary rules. In management's opinion, the payment authorization is an integral part of the government transfer authorization process and, accordingly, subsidy revenue is not recognized until the payer has sufficient budget credits approved by the National Assembly. Subsidy revenue recognition may be deferred to a subsequent period when the School Board has satisfied certain conditions, which are described in the Deferred revenues accounting policy.

The revenues from the school taxes and the subsidies in lieu of taxes are managed by the CGTSIM and are recognized according to the share and confirmation received by the CGTSIM.

The School Board's main sources of revenues, other than contributions, are the student fees, the external sales and the recovery of direct costs that are accounted for in Other operating revenues. Revenues are recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The price is fixed or determinable;
- Collection is reasonably assured.

Revenues are recognized as the services are rendered. Deferred revenues represent funds received for which revenues have not yet been earned.

Inter-entity transactions

Inter-entity transactions are transactions between entities controlled by the Government of Quebec or entities under shared control.

Assets received without consideration from a Government of Quebec reporting entity are recognized at the carrying amount. Services received at no cost are not recognized. Other inter-entity transactions are carried out at the exchange amount, that is, at the amount of the consideration given for the item transferred or service provided as established and agreed to.

3 - ACCOUNTING CHANGE

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

Government transfers

On March 9, 2021, the Government of Quebec announced its decision to modify the application of the accounting standard on government transfers. This change results in the subsidies receivable being recognized more quickly in the School Organization's financial statements since it will be done over the period during which the eligible work of the School Organization is carried out. This change was applied retroactively, and prior periods have been restated.

Thus, the changes made on July 1, 2019 and June 30, 2020 consist mainly of recording an investment subsidy receivable and a deferred investment subsidy. In return, the subsidy – Funding relating to property and equipment was cancelled.

This change in accounting method has the effect of increasing (decreasing) the following items in the financial statements:

	(Restated) 2020
	<u> </u> \$
Financial assets	
Investment subsidy receivable	254,271,771
Funding subsidy - Property and equipment prior to July 1, 2008	(5,587,722)
Funding subsidy - Property and equipment after July 1, 2008	(21,422,555)
Liabilities	
Deferred investment subsidy	242,177,119
Deferred contributions related to the acquisition of property and equipment	(5,177,480)
Accumulated excess (deficit) and net financial assets (net debt), beginning of year	(9,738,145)
Revenues	
Debt service subsidy – Payment of capital on long-term debt subject to a grant promise	(15,235,594)
Subsidy - Funding	2,661,920
Investment subsidy	367,558
Amortization of financing fees	(173,405)
Amortization of deferred contributions related to the acquisition of property and equipment	(303,965)
Amortization of deferred investment subsidy	12,683,486
Excess (deficit) for the year	

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

4 - CASH FLOWS

	<u>2021</u>	<u>2020</u>
	\$	\$
Interest paid during the year	146,875	244,133
Interest received during the year		58,241

5 - OPERATING GRANTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
	\$	\$
MEQ		
Youth, adult education and vocational education	29,930,907	17,401,207
Subsidy – financing (employee future benefits)		12,628,720
Debt service	98,533	244,133
Transportation	219,785	(725,994)
Contaminated sites	166,315	265,403
Other grants	85,657	3,521
Ministère du Travail, de l'Emploi et de la Solidarité sociale	16,927	7,226
	<u>30,518,124</u>	<u>29,824,216</u>

6 - ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
	\$	\$
Accounts receivable – other	7,657,589	8,220,807
Sabbatical leave receivable	72,037	74,020
Commodity taxes receivable	546,159	523,924
	<u>8,275,785</u>	<u>8,818,751</u>

7 - ACCOUNTS PAYABLE

	<u>2021</u>	<u>2020</u>
	\$	\$
Accounts payable and accrued liabilities	10,645,293	9,867,772
Salaries and benefits payable	40,049,454	25,941,700
Sabbatical leave payable	2,208,608	1,603,805
Holdbacks on contracts	6,127,261	6,963,193
Accounts payable – CGTSIM	34,571,912	5,640,788
	<u>93,602,528</u>	<u>50,017,258</u>

8 - DEFERRED CONTRIBUTIONS RELATED TO THE ACQUISITION OF PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>(Restated) 2020</u>
	\$	\$
Balance, beginning of year	242,177,118	230,860,817
Revenues recognized as deferred contributions	36,441,919	23,999,788
Deferred contributions recognized as revenues for the year	(16,122,061)	(12,683,486)
Balance, end of year	<u>262,496,976</u>	<u>242,177,119</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

9 - ALLOWANCE FOR EMPLOYEE BENEFITS

Among the long-term obligations under employee future benefit plans, the School Board has a sick leave program. Until June 30, 2016, in accordance with the various collective agreements, this program allowed certain employees to accumulate unused sick days to which they were entitled annually and monetize them in the event of termination, retirement or death. Moreover, in the context of early retirement, employees could elect to use these accumulated sick days as fully paid days of absence. Since July 1, 2016, employees may no longer accumulate sick days acquired after that date. Sick days will be paid annually on June 30th if they are not used at the date.

	<u>2021</u>	<u>2020</u>
	\$	\$
Sick leave	5,893,626	6,027,713
Vacation	7,427,120	6,668,760
Fringe benefits	2,416,923	2,318,289
Accumulated overtime, wage insurance coverage and other	830,208	1,289,801
	<u>16,567,877</u>	<u>16,304,563</u>

10 - OTHER LIABILITIES

	<u>2021</u>	<u>2020</u>
	\$	\$
CNESST's retrospective program provision	745,342	994,312
School Board's share of the debt subject to a pledge of grant held by the CGTSIM	227,204,426	235,336,101
Other	1,491,352	1,516,804
	<u>229,441,120</u>	<u>237,847,217</u>

The long-term debt of school boards on the Island of Montréal is managed by the CGTSIM. The School Board's share of the long-term debt subject to a pledge of grant is confirmed by the CGTSIM.

11 - PROPERTY AND EQUIPMENT

	<u>2021</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land and land development			
Land	10,800,787		10,800,787
Land development	18,928,335	4,249,045	14,679,290
Buildings			
Buildings	233,193,889	160,650,649	72,543,240
Major building improvements	213,559,212	39,291,442	174,267,770
Material and equipment	25,592,120	10,322,523	15,269,597
Specialized pedagogical equipment	4,116,839	2,073,282	2,043,557
Complex networks	27,178	13,178	14,000
	<u>506,218,360</u>	<u>216,600,119</u>	<u>289,618,241</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

11 - PROPERTY AND EQUIPMENT (Continued)

			2020
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land development			
Land	10,800,787		10,800,787
Land development	17,004,642	3,373,799	13,630,843
Buildings			
Buildings	232,919,673	156,982,683	75,936,990
Major building improvements	188,874,690	32,671,047	156,203,643
Material and equipment	19,635,358	8,744,363	10,890,995
Specialized pedagogical equipment	4,058,217	1,957,516	2,100,701
Complex networks	27,178	11,800	15,378
	<u>473,320,545</u>	<u>203,741,208</u>	<u>269,579,337</u>

The total amount of property and equipment includes \$6,795,067 of property and equipment in progress or development (\$9,468,882 as at June 30, 2020), \$555,797 for land development (\$1,895,635 as at June 30, 2020) and \$6,239,270 for major improvements and transformation (\$7,573,247 as at June 30, 2020). No amortization is taken on these property and equipment

12 - RISK MANAGEMENT AND FINANCIAL RISKS

Risk management policy

The School Board is exposed to various risks related to its financial instruments. The following provides a measure of risks at the year-end date, being June 30, 2021.

Financial risks

Credit risk

Credit risk is the risk of a counterparty defaulting on contractual obligations. The School Board's credit risk is mainly associated with accounts receivable, excluding commodity taxes receivable. To reduce its credit risk, the School Board regularly analyzes the balance of its accounts receivable and reserves an allowance for doubtful accounts, as necessary, based on their estimated realizable value.

The carrying amount of the School Board's main financial assets represents the maximum amount exposed to credit risk.

Interest rate risk

The interest rate risk is the risk that the financial instruments will vary unfavourably according to interest rate fluctuations, whether the interest rates are fixed or variable. Fixed interest rate financial instruments expose the School Board to a fair value risk and those with variable interest rates, to a cash flow risk.

Liquidity risk

The liquidity risk of the School Board is the risk that it has difficulties honouring its obligations in relation to its financial liabilities.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

As a result, the School Board is exposed to liquidity risk on the totality of the financial liabilities accounted for in the statement of financial position.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the School Board has financing sources for a sufficient authorized amount. The School Board establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

13 - CONTRACTUAL OBLIGATIONS AND RIGHTS

Contractual obligations

In the course of its operations, the School Board has entered into various long-term agreements. The most significant agreements have led to the following contractual obligations:

- An amount of \$30,622,425 for construction, renovation and land improvement agreements to be completed during 2021-2022;
- An amount of \$808,850 for long-term lease agreements for the rental of photocopiers, maturing between 2021 and 2026. Minimum lease payments for the next five years are \$278,077 in 2022, \$222,862 in 2023, \$147,343 in 2024, \$133,272 in 2025 and \$27,297 in 2026
- An amount of \$1,535,226 for professional development to be completed during 2021-2022;
- An amount of \$213,757 for apprenticeship programs to be completed during 2021-2022;
- An amount of \$12,781,196 for school transportation contracts, which mature on June 30, 2022.

Contractual rights

The School Board has also entered into leases for the rental of premises expiring on various dates until 2030 which provide for the collection of rent totalling \$1,286,698 and allocated as follows for the next five years:

	<u>\$</u>
2022	226,277
2023	227,484
2024	163,311
2025	166,117
2026	168,978

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2021

14 - CONTINGENCIES

As at June 30, 2021, outstanding claims against the School Board amount to \$1,951,451 (\$1,321,045 as at June 30, 2020) and consist of various claims on construction contracts. In respect to these claims, management has recorded a provision of \$813,041. Any variation resulting from the outcome of these contingencies will be recognized in the statement of operations in the current fiscal year.

The School Board, like several other school organizations is the target of a collective action against *Les Frères du Sacré-Cœur* for acts perpetrated during the years 1940 to 1980. The school organizations are involved in the file as defendants in warranty. As of June 30, 2021, the outcome of this litigation as well as its financial impact for the School Board is indeterminate.

15 - RELATED PARTY TRANSACTIONS

In addition to the related party transactions, which are already reported in the financial statements and recognized at the exchange amount, the School Board is related to all the departments special funds, organizations and enterprises controlled directly or indirectly by the Government of Quebec or under the common control or subject to the significant influence of the Government of Quebec. It is also related to its main directors, immediate family members and entities where one or more of these individuals have the power to direct the School Board's financial and administrative decisions. The School Board has not entered into any commercial transactions with any of these related parties, other than in the normal course of its operations and under normal commercial terms. These transactions are not reported separately in the financial statements.

Lester B. Pearson School Board Supplementary Information

Year ended June 30, 2021

(Unaudited)

The following supplementary information has been compiled. We have not performed an audit or a review engagement in respect of the supplementary information and, accordingly, we express no assurance thereon.

	<u>2021</u>	<u>2020</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
Teaching services		
Kindergarten	11,681,841	9,564,346
Elementary	55,766,505	54,801,206
Secondary	49,328,035	48,659,150
Technical vocational	22,382,323	22,310,501
Educational intervention	6,267,550	3,953,813
Adult education	6,599,624	6,536,938
	<u>152,025,878</u>	<u>145,825,954</u>
Educational support activities		
Management of schools and centres	20,774,124	20,337,104
Educational material	4,690,109	4,932,862
Complementary services	34,429,114	32,627,143
Pedagogical services	11,834,191	12,310,783
Animation and pedagogical services	1,311,838	2,200,037
Professional development	177,578	466,892
Social, cultural and sports activities	2,131,409	3,105,183
	<u>75,348,363</u>	<u>75,980,004</u>
Extracurricular activities		
Living allocation	30,300	35,250
Food services	459,442	651,963
Transportation	14,463,382	12,250,289
Daycare	12,441,393	13,301,179
	<u>27,394,517</u>	<u>26,238,681</u>
Administrative activities		
Council of Commissioners	414,221	370,016
Management	9,770,952	9,757,339
Corporate services	3,213,872	2,959,378
Professional development	12,814	53,075
	<u>13,411,859</u>	<u>13,139,808</u>

Lester B. Pearson School Board

Supplementary Information

Year ended June 30, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
<i>(Continued)</i>		
Property and equipment activities		
Furniture and equipment	110,668	78,571
Amortization of material and equipment	5,852,553	4,875,216
Building upkeep	5,759,673	5,012,798
Amortization of buildings	11,163,607	10,057,017
Caretaking services	11,743,316	10,976,771
Energy	4,575,457	4,379,358
Rental	237,759	436,456
Computer development – Not capitalized	379,725	383,220
Security	412,666	170,180
	<u>40,235,424</u>	<u>36,369,587</u>
Other		
Financing costs	723,162	244,292
Amortization of financing fees	173,653	173,405
Special projects	463,879	505,396
Subsidized schools in the public interest	11,648,631	11,261,238
Retroactivity	16,418,732	5,439
Allowance for doubtful account variation	341,313	599,328
Environmental liability – Revaluation	133,798	(132,611)
Loan of service	1,027,631	865,577
Miscellaneous	77,667	106,566
	<u>31,008,466</u>	<u>13,628,630</u>
Net change in the accrued provision for fringe benefits	263,314	(704,588)
Loss on disposal of property and equipment		329
	<u>339,687,821</u>	<u>310,478,405</u>