

Lester B. Pearson School Board
Financial Statements

June 30, 2023

Lester B. Pearson School Board
Summary
June 30, 2023

Page

Independent Auditor's Report

Financial Statements

Statement of Operations.....	1
Statement of Accumulated Operating Surplus.....	2
Statement of Changes in Net Debt.....	3
Statement of Financial Position.....	4
Statement of Cash Flows.....	5

Notes to the Financial Statements	6
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Additional Information	20
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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Lester B. Pearson School Board (the "School Board"), which comprise the statement of financial position as at June 30, 2023, and the statements of operations, accumulated operating surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the School Board as at June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As part of the application on July 1, 2022, of section PS 3280 "Asset retirement obligations" of the CPA Canada Public Sector Accounting Handbook, the School Board recorded, as of June 30, 2023 and 2022, a liability for asset retirement obligations. In connection with the recognition of the liability for asset retirement obligations, the School Board has recorded a grant receivable. We were unable to obtain sufficient and adequate audit evidence regarding the significant amount and information provided on the obligations. As a result, we were unable to determine whether any adjustments may need to be made to the amounts recorded as liabilities for asset retirement obligations, obligation disclosures, investment grants receivable, revenue from investment grants or to other items in the financial statements for the financial years ended June 30, 2023 and 2022. This situation therefore leads us to express a qualified audit opinion on the financial statements for the financial year considered.

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 qualified audit opinion.

Emphasis of Matter - Comparative Information Restated

We draw attention to Note 3 in the financial statements, which explains that certain comparative information presented for the financial year ended June 30, 2022, has been restated.

Other Matter

Without modifying our opinion, we draw your attention to the fact that we have also expressed an opinion on the financial statements included in the annual financial report presented on the form prescribed by the ministère de l'Éducation for the year ended June 30, 2023.

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.

1

MNP LLP

MNP LLP

Laval, Québec
October 27, 2023

¹ CPA auditor, public accountancy permit no A130159

Lester B. Pearson School Board

Statement of Operations

For the year ended June 30, 2023

	2023	2022 Restated
Revenues		
Ministère de l'Éducation (MEQ) operating grants	256 536 223	252 717 946
Investment grants	93 158 822	1 311 192
Other grants and contributions	2 729 495	2 316 710
School taxes	62 302 696	62 804 858
Tuition fees	3 261 851	3 050 787
Sales of goods and services	22 707 506	17 745 366
Miscellaneous income	4 897 813	2 985 116
Amortization of deferred investment grants	61 908 346	17 242 846
	507 502 752	360 174 821
Expenditures (Annex A)		
Teaching services	168 578 069	162 094 381
Educational support activities	90 081 728	83 312 470
Support services	32 438 855	28 513 757
Administrative activities	14 798 945	13 777 427
Property and equipment activities	52 130 133	50 666 579
Other	18 799 928	16 483 125
Net change in the accrued provision for fringe benefits	(326 940)	254 344
	376 500 718	355 102 083
Excess of revenues over expenditures	131 002 034	5 072 738

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

Lester B. Pearson School Board

Statement of Accumulated Operating Surplus

For the year ended June 30, 2023

	2023	2022 Restated
Surplus (deficit), beginning of year	9 496 103	(3 168 845)
Prior period adjustments	(127 195 131)	(119 602 921)
As restated	(117 699 028)	(122 771 766)
Excess of revenues over expenditures	131 002 034	5 072 738
Surplus (deficit), end of year	13 303 006	(117 699 028)

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

Lester B. Pearson School Board

Statement of Changes in Net Debt

For the year ended June 30, 2023

	2023	2022 Restated
Balance, beginning of year	(298 206 570)	(292 910 454)
Restatement of prior years	(158 008 740)	(151 714 148)
Restated balance	(456 215 310)	(444 624 602)
Excess of revenues over expenditures	131 002 034	5 072 738
Variations due to property and equipment		
Purchases of property and equipment	331 003	(36 086 311)
Amortization of property and equipment	20 263 747	19 420 103
Proceeds from disposal of property and equipment	2 261 548	-
	22 856 298	(16 666 208)
Variation due to prepaid expenditures	(777 379)	2 762
Increase (decrease) in net debt	153 080 953	(11 590 708)
Balance, end of year	(303 134 357)	(456 215 310)

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

Lester B. Pearson School Board

Statement of Financial Position

June 30, 2023

	2023	2022 Restated
Assets		
Cash	2 380 958	1 874 666
Operating grants receivable (Note 4)	25 484 489	42 073 060
Grants related to the acquisition of property and equipment	436 877 883	291 649 834
Grants receivable - financing	1 117 881	1 188 842
Accounts receivable (Note 5)	49 652 348	29 563 317
	<u>515 513 559</u>	<u>366 349 719</u>
Liabilities		
Temporary loans (Note 6)	43 974 482	42 535 292
Accounts payable (Note 7)	45 680 032	48 809 529
Deferred contributions related to the acquisition of property and equipment (Note 8)	291 810 379	280 230 953
Deferred revenues	4 687 705	3 760 162
Allowance for employee benefits (Note 9)	16 495 280	16 822 220
Long-term debt (Note 10)	266 505 911	268 257 620
Liability for contaminated sites	1 522 881	1 217 198
Other liabilities (Note 10)	147 971 246	160 932 055
	<u>818 647 916</u>	<u>822 565 029</u>
Net debt	<u>(303 134 357)</u>	<u>(456 215 310)</u>
Non-financial assets		
Property and equipment (Note 12)	315 539 378	338 395 676
Prepaid expenditures	897 985	120 606
	<u>316 437 363</u>	<u>338 516 282</u>
Accumulated operating surplus (deficit)	<u>13 303 006</u>	<u>(117 699 028)</u>

Contractual obligations and rights (Note 13)

Contingencies (Note 14)

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

Approved on behalf of the Board

Director

Director

Lester B. Pearson School Board

Statement of Cash Flows

For the year ended June 30, 2023

	<u>2023</u>	<u>2022</u> <i>(restated)</i>
Operating activities		
Excess of revenues over expenditures	131 002 034	5 072 738
Non-cash items		
Doubtful accounts	654 743	401 554
Allowance for employee benefits	(326 940)	254 344
Prepaid expenditures	(777 379)	2 762
Amortization of deferred contributions related to the acquisition of property and equipment	(61 908 346)	(17 242 846)
Amortization of property and equipment	20 263 747	19 420 103
Accretion charges	7 231 519	6 294 593
Variations due to operating assets and liabilities	(94 531 354)	39 522 434
Cash flows from operating activities	<u>1 608 024</u>	<u>53 725 682</u>
Investing activities		
Purchases of property and equipment	(3 363 280)	(53 530 450)
Proceeds from disposal of property and equipment	2 261 548	-
Cash flows from investing activities	<u>(1 101 732)</u>	<u>(53 530 450)</u>
Net increase in cash	506 292	195 232
Cash, beginning of year	<u>1 874 666</u>	<u>1 679 434</u>
Cash, end of year	<u><u>2 380 958</u></u>	<u><u>1 874 666</u></u>

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

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

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, provision for retrospective program of Commission des normes de l'équité, de la santé et de la sécurité du travail (CNESST), asset retirement obligations, environmental liabilities and contingencies. 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 the Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

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.

Transaction costs related to long-term debt are deferred and amortized over the life of the debt using the straight-line method. The unamortized balance is included in the long-term debt balance.

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 an 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.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset retirement obligations

A liability should be recognized when, as at the financial reporting date:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Retirement costs are capitalized at the cost of the assets concerned and amortized on a straight-line basis from the date of the legal obligation until the expected time of execution of the decommissioning activities.

The School Board initially measures the liability using the discounted estimated cash flows calculation required to complete the decommissioning activities. Cash flows include the effect of inflation and discounted using the discount rate that represents the management's best estimate of the cost required to settle the obligation when it matures.

The recognized liability is adjusted annually based on new obligations, actual costs incurred, revisions to estimates and accretion expenses.

The liability relating to the decommissioning of patrimonial buildings is not presented in the financial statements. Indeed, the School Board is required to maintain the integrity of these buildings under the Cultural Heritage Act so that the probable date of decommissioning of these buildings is so far away in time that the present value of the obligation is negligible. The obligation related to the decommissioning of these buildings will be presented in the financial statements as soon as the heritage designation is withdrawn or the demolition of the building is authorized, if applicable.

The asset retirement obligations are subject to measurement uncertainty and may vary due to evolving technologies used in asset retirement activities and differences in assumptions made for the purposes of measuring liabilities and actual results. The main assumptions made include the estimate of current decommissioning costs, the cost inflation rate and the discount rate. Furthermore, the obligation to safely dispose asbestos in buildings is subject to measurement uncertainty due to the limitations inherent in the evaluation of the quantities of asbestos contained as well as the estimated cash flow schedule to complete the work.

Non-financial assets

By their nature, the School Board's non-financial assets are normally used to provide future services.

The School Board's intangible assets are not included in the financial statements.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 services.

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

Land development	10 or 20 years
Buildings and major building improvements	25 to 50 years
Buildings and major building improvements - ARO	35 years ⁽¹⁾
Leasehold improvements	Over the lease of 15 to 40 years
Material and equipment	3 to 15 years
Specialized pedagogical equipment	10 to 20 years
Library material	10 years
Textbooks - initial purchases	5 years
Rolling stock	5 years
IT development	5 years
Complex networks	20 years

⁽¹⁾ A new "ARO component" has been created for each of the owned buildings containing asbestos and must be amortized over the estimated period remaining until their known or estimated demolition date.

Property and equipment held under a capital lease is equal to the present value of the minimum lease payments, without exceeding the fair value of the leased asset.

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

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.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Revenue is recognized using the accrual basis of accounting. Revenues, including realized gains, are recognized in the financial year during which the transactions or events from which they arise took place. Income that would be too difficult to measure before receipt is recognized when the funds are received. Amounts received or receivable relating to revenues that will be earned in a subsequent year are deferred and presented as deferred revenue.

More specifically:

Grant and deferred grant

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.

Grants allocated to the acquisition of property and equipment which are transfer payments are recognized when the grants are authorized and the School Board has met all the eligibility criteria, if any. They are presented under the item "Deferred investment grants" when they are accompanied by stipulations which create an obligation meeting the definition of a liability. Income relating to the grants is recognized in earnings as the liability is settled under "Amortization of deferred investment grants".

Other grants allocated to the acquisition of property and equipment that are not transfer payments are reported in the item "Deferred contributions related to the acquisition of property and equipment" and recognized as revenue under the item "Amortization of deferred investment grants" at the same rate as the amortization of the related fixed assets.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

School taxes

School taxes revenue is recognized over the period covered by the collection roll. Changes to assessment rolls are recorded when the assessor's certificates are issued. The period covered by annual school taxes invoices is from July 1 to June 30. School taxes are imposed on the adjusted value. The adjusted value is determined by applying the spread, over three years, of the variation between the standardized value effective on December 31 of the last year of the previous roll and that appearing in the new roll which takes effect on the following January 1.

Revenue in lieu of school taxes is recognized in the period during which the amounts are collected.

Sales of goods and services and miscellaneous income

Revenues from the sale of goods and services and miscellaneous income 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.

Expenditures

Expenditures are recognized using the accrual basis of accounting, that's to say in the financial year during which the operations or events giving took place. Expenditures include the cost of goods consumed as part of the operating activities of the financial year and which can be linked to these activities and services obtained during the period, as well as losses realized. The amounts also include the amortization of the cost of capital assets for the period.

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.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

3. CHANGE IN ACCOUNTING POLICY

Effective July 1, 2022, the School Board adopted the section PS 3280 "Asset retirement obligations". This section establishes standards on how to account for and report a liability for asset retirement obligations. Specifically, it defines which activities would be included in a liability for retirement of a tangible capital asset and establishes when to recognize and how to measure a liability for an asset retirement obligation. It also establishes the information to be provided with regard to this liability.

The change was applied retrospectively and prior years have been restated, which means:

- The transitional provisions were applied to events and operations from the date on which the decommissioning obligations arose. In the case of buildings containing asbestos materials, it is the year 1999.
- The assumptions and discount rates used were established on the initial application date of the standard, April 1, 2022.

This new application had an impact on the following components of the statement of operations, the statement of accumulated operating surplus, the statement of financial position and the statement of changes in net debt for the financial years ended June 30, 2023 and 2022.

Furthermore, the government has committed to grant fund the value of the asset retirement obligations that originated before April 1, 2022, as well as the sums required to provide for revisions of these obligations and accretion expenses and indexing linked to these obligations. This grant was accounted for in accordance with the section PS 3410 "Government transfers".

Statement of Operations	2023	2022
Revenues		
Investment grants	92 068 630	-
Amortization of deferred investment grants	43 655 637	-
Total	135 724 267	-
Expenditures		
Property and equipment activities	8 529 136	7 592 210
Excess (deficiency) of revenues over expenditures	127 195 131	(7 592 210)
Statement of Accumulated Operating Surplus	2023	2022
Deficit, beginning of year	(127 195 131)	(119 602 921)
Surplus (deficit), end of year	-	(127 195 131)
Statement of Financial Position	2023	2022
Financial assets		
Grants related to the acquisition of property and equipment	143 853 983	-
Liabilities		
Deferred contributions related to the acquisition of property and equipment	8 129 716	-
Other liabilities	143 853 983	158 008 740
Net debt	(8 129 716)	(158 008 740)
Non-financial assets		
Property and equipment	8 129 716	30 813 609
Surplus (deficit), end of year	-	(127 195 131)

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

3. CHANGE IN ACCOUNTING POLICY (Continued)

Statement of Changes in Net Debt	2023	2022
Balance, beginning of year	(158 008 740)	(151 714 148)
Excess (deficiency) of revenues over expenditures	127 195 131	(7 592 210)
Variations due to property and equipment	30 813 609	1 297 618
Balance, end of year	-	(158 008 740)

4. OPERATING GRANTS RECEIVABLE - MEQ

	2023	2022
Youth, adult education and vocational education	24 224 562	41 507 229
Debt service	81 615	81 615
Transportation	741 403	256 530
Ministère du Travail, de l'Emploi et de la Solidarité sociale	5 700	19 235
Contaminated sites expenditures	417 568	180 932
Other grants	13 641	27 519
	25 484 489	42 073 060

5. ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable	48 807 337	28 876 884
Sabbatical leave receivable	28 092	96 405
Commodity taxes receivable	816 919	590 028
	49 652 348	29 563 317

6. TEMPORARY LOANS

Temporary loans are authorized monthly by the MEQ. The authorized line of credit is \$71,163,788 (\$89,907,454 as at June 30, 2022). Temporary loans bear interest at the average rate of 3 month Quebec Treasury bills plus 0.02% and are guaranteed by the MEQ.

7. ACCOUNTS PAYABLE

	2023	2022
Accounts payable and accrued liabilities	11 241 343	12 763 171
Salaries payable	15 366 076	15 433 805
Benefits payable to governments	11 828 629	10 721 233
Sabbatical leave payable	2 190 871	2 517 989
Holdbacks on contracts	5 053 113	7 373 331
	45 680 032	48 809 529

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

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

	2023	2022
Balance, beginning of year	280 230 953	262 496 976
Revenues recognized as deferred contributions	73 487 772	34 976 823
Deferred contributions recognized as revenues for the year	(61 908 346)	(17 242 846)
Balance, end of year	291 810 379	280 230 953

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 that date.

	2023	2022
Sick leave	5 652 440	5 944 733
Vacation	7 442 271	7 387 419
Fringe benefits	2 420 346	2 441 038
Accumulated overtime, wage insurance coverage and other	980 223	1 049 030
	16 495 280	16 822 220

10. LONG-TERM DEBT AND OTHER LIABILITIES

	2023	2022
School Board's share of the debt subject to a pledge of grant held by the CGTSIM ^(a)	266 505 911	268 257 620
CNESST's retrospective program provision	852 088	1 233 507
Government salary offer provision	2 478 104	-
Asset retirement obligations	143 853 983	158 008 740
Others	787 071	1 689 808
	147 971 246	160 932 055

^(a) The CGTSIM borrows from the ministère des Finances, for the needs of educational organizations on the Island of Montreal, under the Article 423 of the Education Act. The debts are issued in the name of CGTSIM, which is solely responsible for the repayment of the capital and the payment of the resulting interest. The CGTSIM pays the proceeds of these loans to educational organizations on the island of Montreal.

The School Board's share of long-term debts is the subject of a promise of subsidy granted to the CGTSIM by the Government of Quebec. This is an operation with no effect on cash flow. This share does not bear interest and is without reimbursement terms for the educational organization.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

11. ASSET RETIREMENT OBLIGATIONS

The main asset retirement obligations of the School Board concern the removal of asbestos from the buildings.

The School Board does not own any patrimonial buildings.

Evolution of asset retirement obligations

	2023			2022
	Asbestos removal	Other	Total	Total
Balance, beginning of year	-	-	-	-
New asset retirement obligations	157 930 458	-	157 930 458	151 638 274
Settled obligations ⁽¹⁾	-	-	-	-
Accretion expense	7 229 033	-	7 229 033	6 292 184
Revised estimates	(21 374 411)	-	(21 374 411)	-
Balance, end of year	143 785 080	-	143 785 080	157 930 458

⁽¹⁾ The liability relating to ARO can, for example, be settled when decommissioning work is carried out or the tangible asset is sold. For example, when a building containing asbestos is sold, the obligation to remove asbestos is generally transferred to the buyer and the liability must be derecognized.

Assumptions

The main assumptions used for the ARO regarding the removal of asbestos from the buildings are as follows:

	Deamination
Discount rate, including inflation	5,54%
Discount period ⁽¹⁾	15 to 38 years
Inflation rate	2,93%

⁽¹⁾ The discount period takes into account the estimated time of the retirement work, which generally extends over a period of less than a year.

The present estimated costs to complete the retirement activities as of June 30, 2023, and included in the valuation of the liability amount to 209,584 thousand dollars (188,527 thousand dollars as of June 30, 2022).

A financial contribution of 143,785 thousand dollars was granted to the School Board regarding its asset retirement obligations. Of this amount, 135,660 thousand dollars were recognized in revenue. The balance was recognized in deferred revenue.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

12. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net carrying amount
Land and land developments			
Land	10 608 697	-	10 608 697
Land developments	31 847 821	6 796 097	25 051 724
Buildings			
Buildings	231 755 348	166 690 565	65 064 783
Asset retirement obligations	51 785 353	43 655 636	8 129 717
Major building improvements	247 433 780	53 679 857	193 753 923
Material and equipment	24 073 317	13 051 635	11 021 682
Specialized pedagogical equipment	3 869 759	1 972 288	1 897 471
Complex networks	27 178	15 797	11 381
	601 401 253	285 861 875	315 539 378

	Cost	Accumulated amortization	2022 Net carrying amount
Land and land developments			
Land	10 800 787	-	10 800 787
Land developments	26 770 915	5 341 856	21 429 059
Buildings			
Buildings	233 193 889	164 312 480	68 881 409
Asset retirement obligations	73 171 629	42 358 019	30 813 610
Major building improvements	237 236 497	46 217 520	191 018 977
Material and equipment	25 412 170	12 009 355	13 402 815
Specialized pedagogical equipment	4 265 223	2 228 944	2 036 279
Complex networks	27 178	14 438	12 740
	610 878 288	272 482 612	338 395 676

The total amount of property and equipment includes \$8,921,960 of property and equipment in progress or development (\$7,656,592 as at June 30, 2022), \$58,864 for buildings (nil as at June 30, 2022), \$1,201,902 for land development (\$1,059,590 as at June 30, 2022) and \$7,661,194 for major improvements and transformation (\$6,597,002 as at June 30, 2022). No amortization is taken on this property and equipment.

During the year, purchases of property and equipment include an amount of \$5,038,949 (\$7,372,738 as of June 30, 2022) which is included in accounts payable and accrued liabilities. This transaction is excluded from the statement of cash flows.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

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 \$30,195,176 for construction, renovation and land improvement agreements to be completed during 2023-2024;
- An amount of \$689,398 for long-term lease agreements for the rental of photocopiers, maturing between 2024 and 2028. Minimum lease payments for the next five years are \$235,173 in 2024, \$216,541 in 2025, \$113,224 in 2026, \$75,175 in 2027 and \$49,285 in 2028;
- An amount of \$97,663,833 for school transportation contracts, maturing between 2024 and 2028. Minimum payments for the next five years are \$17,962,417 in 2024, \$18,896,299 in 2025, \$19,841,114 in 2026, \$20,279,622 in 2027 and \$20,684,381 in 2028;
- An amount of \$1,732,323 for professional development to be completed during 2023-2024;
- An amount of \$385,743 for apprenticeship programs to be completed during 2023-2024;
- An amount of \$12,910,000 for material resources contracts, maturing between 2024 and 2028. Minimum lease payments for the next five years are \$7,470,000 in 2024, \$2,465,000 in 2025, \$1,690,000 in 2026, \$890,000 in 2027 and \$395,000 in 2028.

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 \$1,191,106 and allocated as follows for the next five years:

2024	240 608
2025	233 171
2026	238 449
2027	188 818
2028	193 144

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

14. CONTINGENCIES

As at June 30, 2023, outstanding claims against the School Board amount to \$3,313,885 (\$3,044,878 as at June 30, 2022) and consist of various claims on construction contracts and other matters. Management has recorded a provision of \$435,732 as at June 30, 2023 (\$813,041 as at June 30, 2022). 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, 2023, the outcome of this litigation as well as its financial impact for the School Board is indeterminate. Consequently, no provision has been recorded in the books in this regard.

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 significant transactions are reported separately in the financial statements.

16. 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, 2023.

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.

Due to the diversity of its clients and their sectors, the School Board considers that the concentration of credit risk towards accounts receivable is minimal. In addition, the opinion that the credit quality of the accounts receivable is neither past due nor impaired is adequate.

Market risk

Market risk is the risk that the fair value or future cash flows of the School Board's financial instruments will fluctuate because of changes in market prices. The School Board's financial instruments are solely exposed to interest rate risk.

Lester B. Pearson School Board

Notes to the Financial Statements

June 30, 2023

16. RISK MANAGEMENT AND FINANCIAL RISKS (Continued)

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.

Financial instruments with fixed rates are long-term loans and debts. Financial instruments with variable rates are temporary loans.

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.

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 fulfill its obligations.

17. COMPARATIVE FIGURES

Certain figures for 2022 have been reclassified to conform to the presentation adopted in 2023.

Lester B. Pearson School Board

Additional Information

For the year ended June 30, 2023

Expenditures - Annex A

	<u>2023</u>	<u>2022</u>
Teaching services		
Kindergarten	12 925 600	12 560 514
Elementary	61 896 540	59 606 717
Secondary	52 559 133	51 435 647
Technical vocational	24 701 387	23 723 170
Educational intervention	8 540 656	7 014 980
Adult education	7 954 753	7 753 353
	<u>168 578 069</u>	<u>162 094 381</u>
Educational support activities		
Management of schools and centres	21 801 881	20 773 793
Educational material	4 727 337	5 513 304
Complementary services	39 511 239	37 546 113
Pedagogical services	15 223 685	13 291 539
Animation and pedagogical services	1 489 214	1 516 950
Professional development	824 866	349 547
Social, cultural and sports activities	6 503 506	4 321 224
	<u>90 081 728</u>	<u>83 312 470</u>
Support services		
Living allocation	26 485	29 000
Food services	558 274	505 217
Transportation	18 366 919	15 043 605
Daycare	13 487 177	12 935 935
	<u>32 438 855</u>	<u>28 513 757</u>
Administrative activities		
Council of Commissioners	268 460	304 404
Management	11 244 038	10 049 261
Corporate services	3 182 831	3 403 180
Professional development	103 616	20 582
	<u>14 798 945</u>	<u>13 777 427</u>

Lester B. Pearson School Board

Additional Information

For the year ended June 30, 2023

Expenditures - Annex A (Continued)

	<u>2023</u>	<u>2022</u>
Property and equipment activities		
Maintenance and amortization of furniture and equipment	6 083 218	6 635 320
Maintenance and amortization of buildings	28 724 104	26 373 639
Caretaking services	10 526 862	11 629 172
Energy	5 443 732	5 187 181
Rental	919 974	374 196
Protection and security	128 239	162 243
Non-capitalizable information and telecommunication systems	304 004	304 828
	<u>52 130 133</u>	<u>50 666 579</u>
Other		
Financial cost	290 351	230 426
Special projects	569 592	432 393
Retroactivity	2 523 586	1 961 044
Tuition fees and agreements	12 617 501	11 936 665
Allowance for doubtful account variation	823 337	489 708
Loan of service	1 847 196	1 328 902
Miscellaneous	128 365	103 987
	<u>18 799 928</u>	<u>16 483 125</u>
Net change in the accrued provision for fringe benefits	<u>(326 940)</u>	<u>254 344</u>
	<u>376 500 718</u>	<u>355 102 083</u>