

Lester B. Pearson School Board

Financial Statements

June 30, 2019

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Independent Auditor's Report

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

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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, 2019, and the statement of operations, the statement of accumulated operating surplus, the statement of change 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, 2019, and the results of its operations, the change 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.

*Raymond Chabot Grant Thornton LLP*¹

Montréal
October 1, 2019

¹ CPA auditor, CA public accountancy permit no. A117472

Lester B. Pearson School Board
Statement of Financial Position
 June 30, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
FINANCIAL ASSETS		
Cash	1,955,262	1,224,675
Operating grants receivable (Note 4)	35,353,123	32,790,285
Grants receivable specific to the acquisition of property and equipment		14,447
Financing grants receivable	31,095,513	32,172,703
Accounts receivable (Note 5)	25,374,658	27,294,779
	<u>93,778,556</u>	<u>93,496,889</u>
LIABILITIES		
Accounts payable (Note 6)	43,540,153	42,009,951
Deferred revenues related to property and equipment acquisition (Note 7)	5,434,293	5,866,144
Deferred revenues	5,474,417	10,930,328
Accrued employee future benefits (Note 8)	17,009,151	16,506,464
Environmental liabilities	1,451,673	1,805,644
Other liabilities (Note 9)	247,840,665	231,569,739
	<u>320,750,352</u>	<u>308,688,270</u>
	<u>(226,971,796)</u>	<u>(215,191,381)</u>
NET DEBT		
NON-FINANCIAL ASSETS		
Property and equipment (Note 10)	255,834,748	244,501,053
Prepaid expenditures	69,341	39,782
	<u>255,904,089</u>	<u>244,540,835</u>
ACCUMULATED OPERATING SURPLUS	<u>28,932,293</u>	<u>29,349,454</u>

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

Lester B. Pearson School Board

Statement of Operations

Year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
Revenues		
Ministère de l'Éducation et de l'Enseignement supérieur (MEES) operating grants	201,808,301	191,057,964
School taxes	64,987,262	64,618,800
Other operating revenues	36,241,101	35,380,328
Transportation grants – MEES	6,246,244	6,115,866
	<u>309,282,908</u>	<u>297,172,958</u>
Expenditures		
Teaching services	143,280,393	142,032,535
Educational support activities	75,997,592	71,186,287
Extra-curricular activities	13,286,829	12,534,468
Transportation	13,882,048	13,641,310
Administrative activities	13,320,258	12,478,617
Energy	5,596,881	5,561,037
Amortization of property and equipment	14,458,266	14,007,243
Maintenance and caretaking	16,210,076	16,614,026
Financing costs	11,525	143,265
Subsidized schools in the public interest	10,919,348	10,578,368
Other	2,234,166	5,164,485
Net change in the provision for fringe benefits	502,687	(760,139)
	<u>309,700,069</u>	<u>303,181,502</u>
Excess of expenditures over revenues	<u>(417,161)</u>	<u>(6,008,544)</u>

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

Lester B. Pearson School Board
Statement of Accumulated Operating Surplus

Year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning of year	29,349,454	35,357,998
Excess of expenditures over revenues	(417,161)	(6,008,544)
Balance, end of year	<u>28,932,293</u>	<u>29,349,454</u>

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

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

Year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning of year	<u>(215,191,381)</u>	<u>(202,679,771)</u>
Excess of expenditures over revenues	<u>(417,161)</u>	<u>(6,008,544)</u>
Variations due to property and equipment		
Property and equipment purchases	(27,434,012)	(20,521,853)
Amortization of property and equipment	14,458,266	14,007,243
Proceeds on disposal of property and equipment	1,642,051	
	<u>(11,333,695)</u>	<u>(6,514,610)</u>
Variation due to prepaid expenditures	<u>(29,559)</u>	11,544
Increase in net debt	<u>(11,780,415)</u>	<u>(12,511,610)</u>
Balance, end of year	<u><u>(226,971,796)</u></u>	<u><u>(215,191,381)</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, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of expenditures over revenues	(417,161)	(6,008,544)
Non-cash items		
Doubtful accounts	(275,745)	776,781
Provisions for future payroll benefits	502,687	(760,139)
Prepaid expenditures	(29,559)	11,544
Amortization of deferred revenues related to property and equipment acquisition	(481,417)	(349,162)
Amortization of property and equipment	14,458,266	14,007,243
Variations due to operating assets and liabilities	9,770,557	13,454,523
Cash flows from operating activities	<u>23,527,628</u>	<u>21,132,246</u>
INVESTING ACTIVITIES		
Cash outflow from the acquisition of property and equipment	(24,439,092)	(22,017,928)
Proceeds on disposal of property and equipment	1,642,051	
Cash flows from investing activities	<u>(22,797,041)</u>	<u>(22,017,928)</u>
Net increase (decrease) in cash	730,587	(885,682)
Cash, beginning of year	<u>1,224,675</u>	<u>2,110,357</u>
Cash, end of year	<u><u>1,955,262</u></u>	<u><u>1,224,675</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, 2019

1 - GOVERNING STATUTES AND PURPOSES OF THE SCHOOL BOARD

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 284 of the Education Act (CQLR, c. I-13.3).

The mission of the School Board 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 made by the government. The mission of the School Board 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

The financial statements are prepared by the School Board in accordance with Canadian public sector accounting standards in the *CPA Canada Public Sector Accounting Handbook*, and use of any other source of generally accepted accounting principles must be consistent with these standards. The information provided in the financial statements is based on 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, presentation of assets and contingent liabilities at the date of the financial statements 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 future benefits and environmental liabilities. 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, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

Contributions for property and equipment acquisitions

The contributions received for acquisitions of property and equipment subject to amortization 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 the 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 period or 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 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, wage insurance coverage and other benefits (maternity and paternity leave) are recognized at cost in liabilities. The annual change in the provisions 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, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental liabilities

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 liabilities as soon as the contamination exceeds environmental standards, that it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.

The liabilities for contaminated sites include 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. The 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 lands existing as at March 31, 2008 and inventoried as at March 31, 2011, as well as the variances of these liabilities as at June 30, 2019. Consequently, the School Board is able to recognize an account receivable from the Government of Quebec to offset the costs associated with these environmental liabilities. All liabilities recognized after March 31, 2011 for non-inventoried land at that date are assumed by the School Board and recorded in its results 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 life extends 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	15 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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The amounts received from organizations are recognized in liabilities as deferred revenues, 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 financial year. These costs will be added to the expenditures when the School Board benefits from the services paid for.

Revenue recognition

Subsidy revenue from the MEES 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 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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the amount of the consideration given for the item transferred or service provided as established and agreed to.

3 - BUDGET FORECAST PRESENTATION

According to the Education Act (CQLR, c. I-13.3), the School Board has prepared budget forecasts for the current year which were duly adopted by the Council of Commissioners.

These budget data are not prepared with the same level of detail as the actual data presented in the financial statements.

The summary of budget forecasts initially adopted by the Council of Commissioners is compared with the corresponding actual data:

	2018-2019	
	Budget	Actual
	\$	\$
Revenues		
MEES operating grants	191,136,696	208,054,545
Other grants and contributions	1,984,796	2,869,731
School taxes	64,343,821	64,987,262
Tuition and course-related fees	10,691,441	3,723,864
Sales of goods and services	21,345,000	26,874,317
Other revenues	16,820,370	2,773,189
	<u>306,322,124</u>	<u>309,282,908</u>
Expenditures		
Teaching services	154,853,189	143,280,393
Educational support activities	65,930,412	75,997,592
Extra-curricular activities	26,984,168	27,168,877
Administrative activities	15,412,577	13,320,258
Property and equipment activities	31,927,482	36,265,223
Other	10,819,296	13,165,039
Net change in the accrued provision for fringe benefits	395,000	502,687
	<u>306,322,124</u>	<u>309,700,069</u>
Excess of expenditures over revenues	-	<u>(417,161)</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

4 - OPERATING GRANTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
MEES		
Youth, adult education and vocational education	22,579,492	19,477,128
Subsidy – financing (employee future benefits)	12,628,720	12,628,720
Debt service	(69,523)	(24,306)
Transportation	(558,672)	225,062
Contaminated lands	741,577	430,808
Other grants	22,030	44,355
Ministère du Travail, de l'Emploi et de la Solidarité sociale	9,499	8,518
	<u>35,353,123</u>	<u>32,790,285</u>

5 - ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
Accounts receivable – CGTSIM	15,844,855	10,802,901
Accounts receivable – other	8,606,026	15,528,407
Sabbatical leave receivable	134,991	105,791
Commodity taxes receivable	788,786	857,680
	<u>25,374,658</u>	<u>27,294,779</u>

6 - ACCOUNTS PAYABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
Accounts payable and accrued liabilities	11,912,561	14,447,980
Salaries and benefits payable	25,110,329	23,984,116
Sabbatical leave payable	1,867,439	1,642,490
Holdbacks on contracts	4,649,824	1,925,365
Deposits on tenders		10,000
	<u>43,540,153</u>	<u>42,009,951</u>

7 - DEFERRED REVENUES RELATED TO PROPERTY AND EQUIPMENT ACQUISITION

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning of year	5,866,144	6,200,859
Revenues recognized as deferred contributions	49,566	14,447
Deferred contributions recognized as revenues for the year	(481,417)	(349,162)
Balance, end of year	<u>5,434,293</u>	<u>5,866,144</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

8 - ACCRUED EMPLOYEE FUTURE 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.

	<u>2019</u>	<u>2018</u>
	\$	\$
Sick leave	6,459,235	6,552,779
Vacation	6,361,702	6,257,614
Fringe benefits	2,406,263	2,336,329
Accumulated overtime, wage insurance coverage and other	1,781,951	1,359,742
	<u>17,009,151</u>	<u>16,506,464</u>

9 - OTHER LIABILITIES

	<u>2019</u>	<u>2018</u>
	\$	\$
CNESST's retrospective program provision	522,380	684,537
School Board's share of the debt that is subject to a subsidy commitment held by the CGTSIM	246,167,080	225,411,342
Other	1,151,205	5,473,860
	<u>247,840,665</u>	<u>231,569,739</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 that is subject to a subsidy commitment is confirmed by the CGTSIM.

10 - PROPERTY AND EQUIPMENT

	<u>2019</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land development			
Land	11,282,483		11,282,483
Land development	10,448,094	2,715,743	7,732,351
Buildings			
Buildings	250,709,593	167,305,112	83,404,481
Major building improvements	169,872,977	28,413,760	141,459,217
Material and equipment	18,223,441	8,347,716	9,875,725
Specialized pedagogical equipment	4,361,614	2,297,878	2,063,736
Complex networks	27,178	10,423	16,755
	<u>464,925,380</u>	<u>209,090,632</u>	<u>255,834,748</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

10 - PROPERTY AND EQUIPMENT (Continued)

			2018
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land development			
Land	11,572,621		11,572,621
Land development	8,117,701	2,242,323	5,875,378
Buildings			
Buildings	252,716,227	164,854,626	87,861,601
Major building improvements	151,832,773	23,322,771	128,510,002
Material and equipment	30,516,762	21,891,429	8,625,333
Specialized pedagogical equipment	5,034,951	2,996,965	2,037,986
Complex networks	27,178	9,046	18,132
	<u>459,818,213</u>	<u>215,317,160</u>	<u>244,501,053</u>

The total of property and equipment includes \$6,644,165 of property and equipment in progress or development (\$3,518,476 as at June 30, 2018), \$1,031,535 for land development (\$355,207 as at June 30, 2018) and \$5,612,630 for major improvements and transformation (\$3,163,269 as at June 30, 2018). No amortization is taken on those property and equipment.

11 - 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 date of the statement of financial position, that is as at June 30, 2019.

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 user accounts receivable and reserves an allowance for doubtful accounts, as necessary, based on the 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 variations, 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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

11 - RISK MANAGEMENT AND FINANCIAL RISKS (Continued)

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 is to maintain a sufficient amount of cash and cash equivalents and to ensure that the School Board has a sufficient amount of authorized sources of financing. The School Board established budget and cash forecasts to ensure it has the necessary funds to fulfil its obligations.

12 - 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 \$27,243,857 for construction, renovations and land improvement agreements to be completed during 2019-2020;
- An amount of \$544,352 for long-term lease agreements for the rental of photocopier machines, maturing between 2019 and 2024. Minimum lease payments for the next five years are \$221,249 in 2020, \$165,539 in 2021, \$113,565 in 2022, \$38,401 in 2023 and \$5,597 in 2024;
- An amount of \$777,683 for professional development;
- An amount of \$664,275 for apprenticeship programs;
- An amount of \$37,612,581 for school transportation contracts maturing between June 2020 and June 2022.

Contractual rights

The School Board has also entered into leases for the rental of premises expiring on various dates until 2029 which provide for the collection of rent totalling \$1,347,184 and allocated as follows for the next five years:

	<u>\$</u>
2020	404,579
2021	186,899
2022	137,672
2023	140,716
2024	84,271

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2019

13 - CONTINGENCIES

As at June 30, 2019, outstanding claims against the School Board amount to \$1,368,522 (\$1,519,471 as at June 30, 2018) and consist of various claims on construction contracts. In respect to these claims, management has recorded a provision of \$583,312. Any variation resulting from the outcome of these contingencies will be recognized in the statement of operations in the current fiscal year.

14 - 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.

15 - SUBSEQUENT EVENTS

As at July 1, 2019, the School Board transferred a property to another related school board for a compensation totaling \$13,630,000: \$1,150,000 in the form of cash and the balance as debt with interest. This compensation will be remitted to the School Board by the MEES.

Lester B. Pearson School Board

Supplementary Information to Note 4

Year ended June 30, 2019

(Unaudited)

The following supplementary information has been compiled. We have not performed an audit or examination with respect to the supplementary information and, accordingly, we express no assurance thereon.

	<u>2019</u>	<u>2018</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
Teaching services		
Kindergarten	8,457,847	8,135,421
Elementary	54,978,515	53,784,240
Secondary	48,366,572	48,544,279
Technical vocational	21,712,883	21,966,233
Educational intervention	2,921,969	3,039,270
Adult education	6,842,607	6,563,092
	<u>143,280,393</u>	<u>142,032,535</u>
Educational support activities		
Management of schools and centres	21,104,030	20,745,154
Educational material	4,975,723	4,496,737
Complementary services	28,984,747	27,767,467
Pedagogical services	14,373,675	10,873,389
Animation and pedagogical services	2,024,992	2,252,922
Professional development	568,886	605,778
Social, cultural and sports activities	3,965,539	4,444,840
	<u>75,997,592</u>	<u>71,186,287</u>
Extra-curricular activities		
Living allocation	33,000	37,750
Food services	859,256	887,807
Transportation	13,882,048	13,641,310
Daycare	12,394,573	11,608,911
	<u>27,168,877</u>	<u>26,175,778</u>
Administrative activities		
Council of Commissioners	303,717	311,208
Management	9,733,069	9,673,789
Corporate services	3,183,653	2,405,533
Professional development	99,819	88,087
	<u>13,320,258</u>	<u>12,478,617</u>

Lester B. Pearson School Board Supplementary Information to Note 4

Year ended June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
<i>(Continued)</i>		
Property and equipment activities		
Furniture and equipment	265,894	381,305
Amortization of furniture and equipment	4,846,786	5,021,825
Building upkeep	4,846,187	5,343,558
Amortization of buildings	9,611,480	8,985,418
Caretaking services	9,769,073	9,408,566
Energy	5,596,881	5,561,037
Rental	441,964	285,226
Computer development – not capitalized	422,892	422,892
Security	464,066	772,479
	<u>36,265,223</u>	<u>36,182,306</u>
Other		
Financing costs	11,525	143,265
Special projects	603,255	4,551,560
Subsidized schools in the public interest	10,919,348	10,578,368
Retroactivity	61,558	147,882
Job security		24,673
Allowance for doubtful account variation	334,428	220,526
Environmental liability – revaluation	(43,202)	16,174
Loan of service	994,698	(19,705)
Miscellaneous	283,429	223,375
	<u>13,165,039</u>	<u>15,886,118</u>
Net change in the accrued provision for fringe benefits	<u>502,687</u>	<u>(760,139)</u>
	<u><u>309,700,069</u></u>	<u><u>303,181,502</u></u>