

Lester B. Pearson School Board
Financial Statements
June 30, 2020

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Independent Auditor's Report

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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, 2020, 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, 2020, 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.

Raymond Chabot Grant Thornton LLP¹

Montréal
October 16, 2020

¹ CPA auditor, CA public accountancy permit no. A117472

Lester B. Pearson School Board
Statement of Financial Position
 June 30, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
FINANCIAL ASSETS		
Cash	996,549	1,955,262
Operating grants receivable (Note 6)	29,824,216	35,353,123
Financing grants receivable	28,236,311	31,095,513
Accounts receivable (Note 7)	8,818,751	25,374,658
	<u>67,875,827</u>	<u>93,778,556</u>
LIABILITIES		
Accounts payable (Note 8)	50,017,258	43,540,153
Deferred contributions related to the acquisition of property and equipment (Note 9)	5,177,479	5,434,293
Deferred revenues	5,969,089	5,474,417
Allowance for employee benefits (Note 10)	16,304,563	17,009,151
Environmental liability	1,254,391	1,451,673
Other liabilities (Note 11)	237,847,217	247,840,665
	<u>316,569,997</u>	<u>320,750,352</u>
NET DEBT	<u>(248,694,170)</u>	<u>(226,971,796)</u>
NON-FINANCIAL ASSETS		
Property and equipment (Note 12)	269,579,337	255,834,748
Prepaid expenditures	89,674	69,341
	<u>269,669,011</u>	<u>255,904,089</u>
ACCUMULATED OPERATING SURPLUS	<u>20,974,841</u>	<u>28,932,293</u>

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

Lester B. Pearson School Board

Statement of Operations

Year ended June 30, 2020

	2020	2019
	\$	\$
Revenues		
Ministère de l'Éducation (MEQ) operating grants	206,862,747	201,808,301
School taxes	63,911,102	64,987,262
Other operating revenues	25,955,171	36,241,101
Transportation grants – MEQ	5,618,528	6,246,244
	<u>302,347,548</u>	<u>309,282,908</u>
Expenditures		
Teaching services	145,825,954	143,280,393
Educational support activities	75,980,004	75,997,592
Extracurricular activities	13,988,392	13,286,829
Transportation	12,250,289	13,882,048
Administrative activities	13,139,808	13,320,258
Energy	4,379,358	5,596,881
Amortization of property and equipment	14,932,233	14,458,266
Maintenance and caretaking	17,057,996	16,210,076
Financing costs	244,292	11,525
Subsidized schools in the public interest	11,261,238	10,919,348
Other	1,949,695	2,234,166
Net change in the provision for fringe benefits	(704,588)	502,687
Loss on disposal of property and equipment	329	
	<u>310,305,000</u>	<u>309,700,069</u>
Excess of expenditures over revenues	<u>(7,957,452)</u>	<u>(417,161)</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, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance, beginning of year	28,932,293	29,349,454
Excess of expenditures over revenues	(7,957,452)	(417,161)
Balance, end of year	<u>20,974,841</u>	<u>28,932,293</u>

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, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance, beginning of year	<u>(226,971,796)</u>	<u>(215,191,381)</u>
Excess of expenditures over revenues	<u>(7,957,452)</u>	<u>(417,161)</u>
Variations due to property and equipment		
Property and equipment purchases	(40,104,499)	(27,434,012)
Amortization of property and equipment	14,932,233	14,458,266
Loss on disposal of property and equipment	329	
Proceeds on disposal of property and equipment	<u>11,427,348</u>	<u>1,642,051</u>
	<u>(13,744,589)</u>	<u>(11,333,695)</u>
Variation due to prepaid expenditures	<u>(20,333)</u>	<u>(29,559)</u>
Increase in net debt	<u>(21,722,374)</u>	<u>(11,780,415)</u>
Balance, end of year	<u><u>(248,694,170)</u></u>	<u><u>(226,971,796)</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, 2020

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of expenditures over revenues	(7,957,452)	(417,161)
Non-cash items		
Doubtful accounts	573,625	(275,745)
Allowance for employee benefits	(704,588)	502,687
Prepaid expenditures	(20,333)	(29,559)
Amortization of deferred contributions related to the acquisition of property and equipment	(303,965)	(481,417)
Amortization of property and equipment	14,932,233	14,458,266
Loss on disposal of property and equipment	329	
Variations due to operating assets and liabilities	18,882,617	9,770,557
Cash flows from operating activities	<u>25,402,466</u>	<u>23,527,628</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(37,788,527)	(24,439,092)
Proceeds on disposal of property and equipment	11,427,348	1,642,051
Cash flows from investing activities	<u>(26,361,179)</u>	<u>(22,797,041)</u>
Net increase (decrease) in cash	(958,713)	730,587
Cash, beginning of year	<u>1,955,262</u>	<u>1,224,675</u>
Cash, end of year	<u><u>996,549</u></u>	<u><u>1,955,262</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, 2020

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

An Act to amend mainly the Education Act with regard to school organization and governance (Bill 40) was adopted and assented to on February 8, 2020. Its main purpose is to review the organization and governance of school boards, which are becoming school service centres administered by an organization of directors composed of parents, community representatives and school service centre staff members. The mandate of French-language school board commissioners ended on February 8, 2020 when the bill received royal assent. As of February 8, 2020 and until October 15, 2020 (Order in Council 522-2020), the director general assumes the duties of the council of commissioners until the new French-language school service centre's board of directors takes office on October 15, 2020. For the English-language network, the commissioners' mandate is maintained.

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 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

In March 2020, the World Health Organization declared an outbreak of a new coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. The COVID-19 pandemic and the measures taken in response to its outbreak resulted in significant temporary disruptions to the School Board's operations. The School Board has taken and will continue to take steps in the aftermath of these events to minimize their impact. However, as of the date of finalization of the financial statements, the duration and impact of COVID-19 remains unknown. As a result, it is not possible to reliably estimate the impact that the duration and severity of the pandemic could have on the financial results, cash flows and financial position of the School Board for future fiscal years.

3 - 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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 at 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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Financial Statements

Year ended June 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4 - 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 details as the actual data presented in the financial statements.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

4 - BUDGET FORECAST PRESENTATION (Continued)

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

	2019-2020	
	Budget	Actual
	\$	\$
Revenues		
MEQ operating grants	220,121,871	212,481,275
Other grants and contributions	2,830,336	2,055,894
School taxes	63,372,168	63,911,102
Tuition and course-related fees	7,422,758	3,468,214
Sales of goods and services	21,065,779	17,490,323
Other revenues	1,705,876	2,940,740
	<u>316,518,788</u>	<u>302,347,548</u>
Expenditures		
Teaching services	157,125,943	145,825,954
Educational support activities	71,734,348	75,980,004
Extracurricular activities	27,285,403	26,238,681
Administrative activities	15,625,981	13,139,808
Property and equipment activities	33,011,985	36,369,587
Other	12,112,345	13,455,225
Net change in the provision for fringe benefits	395,000	(704,588)
Loss on disposal of property and equipment		329
	<u>317,291,005</u>	<u>310,305,000</u>
Excess of expenditures over revenues	<u>(772,217)</u>	<u>(7,957,452)</u>

5 - CASH FLOWS

	2020	2019
	\$	\$
Interest paid during the year	244,133	-
Interest received during the year	58,241	239,292

6 - OPERATING GRANTS RECEIVABLE

	2020	2019
	\$	\$
MEQ		
Youth, adult education and vocational education	17,401,207	22,579,492
Subsidy – financing (employee future benefits)	12,628,720	12,628,720
Debt service	244,133	(69,523)
Transportation	(725,994)	(558,672)
Contaminated sites	265,403	741,577
Other grants	3,521	22,030
Ministère du Travail, de l'Emploi et de la Solidarité sociale	7,226	9,499
	<u>29,824,216</u>	<u>35,353,123</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

7 - ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts receivable – CGTSIM		15,844,855
Accounts receivable – other	8,220,807	8,606,026
Sabbatical leave receivable	74,020	134,991
Commodity taxes receivable	523,924	788,786
	<u>8,818,751</u>	<u>25,374,658</u>

8 - ACCOUNTS PAYABLE

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts payable and accrued liabilities	9,867,772	11,912,561
Salaries and benefits payable	25,941,700	25,110,329
Sabbatical leave payable	1,603,805	1,867,439
Holdbacks on contracts	6,963,193	4,649,824
Accounts payable – CGTSIM	5,640,788	
	<u>50,017,258</u>	<u>43,540,153</u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance, beginning of year	5,434,293	5,866,144
Revenues recognized as deferred contributions	47,151	49,566
Deferred contributions recognized as revenues for the year	(303,965)	(481,417)
Balance, end of year	<u>5,177,479</u>	<u>5,434,293</u>

10 - 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.

	<u>2020</u>	<u>2019</u>
	\$	\$
Sick leave	6,027,713	6,459,235
Vacation	6,668,760	6,361,702
Fringe benefits	2,318,289	2,406,263
Accumulated overtime, wage insurance coverage and other	1,289,801	1,781,951
	<u>16,304,563</u>	<u>17,009,151</u>

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

11 - OTHER LIABILITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
CNESST's retrospective program provision	994,312	522,380
School Board's share of the debt subject to a pledge of grant held by the CGTSIM	235,336,101	246,167,080
Other	1,516,804	1,151,205
	<u>237,847,217</u>	<u>247,840,665</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.

12 - PROPERTY AND EQUIPMENT

	<u>2020</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	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>
	<u>2019</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land and 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, 2020

12 - PROPERTY AND EQUIPMENT (Continued)

The total amount of property and equipment includes \$9,468,882 of property and equipment in progress or development (\$6,644,165 as at June 30, 2019), \$1,895,635 for land development (\$1,031,535 as at June 30, 2019) and \$7,573,247 for major improvements and transformation (\$5,612,630 as at June 30, 2019). No amortization is taken on these property and equipment.

13 - 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, 2020.

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.

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.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

14 - 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 \$24,206,017 for construction, renovation and land improvement agreements to be completed during 2020-2021;
- An amount of \$680,841 for long-term lease agreements for the rental of photocopiers, maturing between 2021 and 2025. Minimum lease payments for the next five years are \$250,696 in 2021, \$184,844 in 2022, \$108,633 in 2023, \$75,829 in 2024 and \$60,839 in 2025;
- An amount of \$1,019,975 for professional development to be completed during 2020-2021;
- An amount of \$158,916 for apprenticeship programs to be completed during 2020-2021;
- An amount of \$38,343,588 for school transportation contracts maturing between June 2020 and June 2022. Minimum payments for the next three years are \$12,781,196 from 2021 to 2023.

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 \$1,149,689 and allocated as follows for the next five years:

	\$
2021	209,608
2022	160,719
2023	163,764
2024	107,318
2025	109,004

15 - CONTINGENCIES

As at June 30, 2020, outstanding claims against the School Board amount to \$1,321,045 (\$1,368,522 as at June 30, 2019) and consist of various claims on construction contracts. In respect to these claims, management has recorded a provision of \$538,825. Any variation resulting from the outcome of these contingencies will be recognized in the statement of operations in the current fiscal year.

Lester B. Pearson School Board

Notes to Financial Statements

Year ended June 30, 2020

16 - 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.

During the year, the School Board ceded at its net book value a land and building to another entity controlled by the Government of Quebec, for a monetary contribution of \$11,427,348.

Except for the operation above, 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, 2020

(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>2020</u>	<u>2019</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
Teaching services		
Kindergarten	9,564,346	8,457,847
Elementary	54,801,206	54,978,515
Secondary	48,659,150	48,366,572
Technical vocational	22,310,501	21,712,883
Educational intervention	3,953,813	2,921,969
Adult education	6,536,938	6,842,607
	<u>145,825,954</u>	<u>143,280,393</u>
Educational support activities		
Management of schools and centres	20,337,104	21,104,030
Educational material	4,932,862	4,975,723
Complementary services	32,627,143	28,984,747
Pedagogical services	12,310,783	14,373,675
Animation and pedagogical services	2,200,037	2,024,992
Professional development	466,892	568,886
Social, cultural and sports activities	3,105,183	3,965,539
	<u>75,980,004</u>	<u>75,997,592</u>
Extracurricular activities		
Living allocation	35,250	33,000
Food services	651,963	859,256
Transportation	12,250,289	13,882,048
Daycare	13,301,179	12,394,573
	<u>26,238,681</u>	<u>27,168,877</u>
Administrative activities		
Council of Commissioners	370,016	303,717
Management	9,757,339	9,733,069
Corporate services	2,959,378	3,183,653
Professional development	53,075	99,819
	<u>13,139,808</u>	<u>13,320,258</u>

Lester B. Pearson School Board

Supplementary Information

Year ended June 30, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>
	\$	\$
<i>BREAKDOWN OF OPERATING EXPENDITURES</i>		
<i>(Continued)</i>		
Property and equipment activities		
Furniture and equipment	78,571	265,894
Amortization of material and equipment	4,875,216	4,846,786
Building upkeep	5,012,798	4,846,187
Amortization of buildings	10,057,017	9,611,480
Caretaking services	10,976,771	9,769,073
Energy	4,379,358	5,596,881
Rental	436,456	441,964
Computer development – Not capitalized	383,220	422,892
Security	170,180	464,066
	<u>36,369,587</u>	<u>36,265,223</u>
Other		
Financing costs	244,292	11,525
Special projects	505,396	603,255
Subsidized schools in the public interest	11,261,238	10,919,348
Retroactivity	5,439	61,558
Allowance for doubtful account variation	599,328	334,428
Environmental liability – Revaluation	(132,611)	(43,202)
Loan of service	865,577	994,698
Miscellaneous	106,566	283,429
	<u>13,455,225</u>	<u>13,165,039</u>
Net change in the accrued provision for fringe benefits	(704,588)	502,687
Loss on disposal of property and equipment	329	
	<u>310,305,000</u>	<u>309,700,069</u>