

English Montreal School Board
Financial Statements
June 30, 2023

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Independent Auditor's Report

To the Council of Commissioners of
English Montreal School Board

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Qualified opinion

We have audited the financial statements of English Montreal School Board School Board (hereafter "the School Board"), which comprise the statement of financial position as at June 30, 2023, and the statement of operations, the statement of accumulated surplus, the statement of remeasurement gains and losses, the statement of changes in net financial 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, except for the possible 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, its remeasurement gains and losses, the changes in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for qualified opinion

In connection with the application as at April 1, 2022 of Section PS 3280, Asset Retirement Obligations, of the *CPA Canada Public Sector Accounting Handbook*, the School Board recognized, as at June 30, 2023, a liability for asset retirement obligations. With regard to the recognition of the liability for asset retirement obligations, the School Board recognized a subsidy receivable. We were unable to obtain sufficient appropriate audit evidence about the amount recognized and information concerning obligations. As a result, we were not able to determine whether any adjustments might be necessary to amounts recognized as a liability for asset retirement obligations, to information concerning obligations, to the subsidy receivable, to subsidy income or other financial statement items for the year ended June 30, 2023. This situation caused us to express a qualified opinion on the financial statements for the current year.

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.

Emphasis of matter – basis of accounting

We draw attention to Note 2 to the financial statements, which explains that the School Board adopted new Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, on July 1, 2022. These new sections require prospective application and, accordingly, comparative amounts are presented in accordance with the accounting policies which the School Board applied before adoption of these new sections.

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 13, 2023

¹ CPA auditor, public accountancy permit no. A117472

English Montreal School Board

Statement of Financial Position

June 30, 2023

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	4,949,949	4,152,368
Operating grants receivable (Note 5)	24,089,049	35,503,059
Investment grant receivable (Note 6)	450,765,821	336,764,195
Financing grants receivable	2,012,972	2,012,972
Accounts receivable (Note 7)	79,624,131	64,209,983
Inventories held for resale	237,255	121,545
Investments in fixed income (Note 9)	527,997	496,211
Other assets	1,691,253	707,657
	<u>563,898,427</u>	<u>443,967,990</u>
LIABILITIES		
School Board's share of the bank loan subject to a pledge of grant held by the CGTSIM	14,368,409	15,469,545
Accounts payable and accrued liabilities (Note 10)	53,360,302	52,748,174
Deferred investment grant (Note 14)	314,793,965	290,470,332
Deferred revenues	10,364,109	9,347,763
Allowance for employee benefits (Note 11)	16,750,225	16,979,040
School Board's share of the long-term debt subject to a pledge of grant held by the CGTSIM	328,934,549	316,492,552
Liability for contaminated sites (Note 12)	2,012,972	2,012,972
Other liabilities (Note 16)	107,395,771	114,026,660
	<u>847,980,302</u>	<u>817,547,038</u>
NET DEBT	<u>(284,081,875)</u>	<u>(373,579,048)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	361,077,759	356,914,962
Inventories – supplies	1,081,661	1,093,372
Prepaid expenses	1,162,666	2,994,760
	<u>363,322,086</u>	<u>361,003,094</u>
ACCUMULATED OPERATING SURPLUS (DEFICIT)	<u>79,240,211</u>	<u>(12,575,954)</u>

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

English Montreal School Board

Statement of Operations

Year ended June 30, 2023

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Revenues		
Ministère de l'Éducation (MEQ) operating grants	315,641,871	285,661,926
Investment grants	496,724	479,397
Other grants and contributions	1,508,004	1,433,048
School taxes	42,342,741	69,151,855
Tuition and course-related fees	4,348,193	5,186,983
Sales of goods and services	13,958,128	12,282,151
Other revenues	9,171,611	5,368,413
Amortization of deferred investment grants	22,475,214	14,254,229
	<u>409,942,486</u>	<u>393,818,002</u>
Expenses		
Teaching activities	180,761,180	175,054,611
Educational support activities	102,278,898	95,211,231
Extracurricular activities	28,409,058	24,638,866
Administrative activities	19,006,485	17,087,406
Property and equipment activities	52,958,319	47,538,190
Salary retroactivity and pay equity	2,673,848	949,224
Other	21,864,949	19,598,200
Expenses related to the variation of the allowance for employee benefits (Note 11)	(228,814)	300,567
Gain on the disposition of property and equipment		(341,201)
	<u>407,723,923</u>	<u>380,037,094</u>
Excess of revenues over expenses before investment grant for previous years' asset retirement obligations	2,218,563	13,780,908
Investment grant for previous years' asset retirement obligations	89,597,602	
Excess of revenues over expenses	<u>91,816,165</u>	<u>13,780,908</u>

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

English Montreal School Board

Statement of Accumulated Surplus

Year ended June 30, 2023

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Balance, beginning of year		
Balance, as previously reported	77,021,647	57,786,437
Accounting change (note 2)	(89,597,601)	(84,143,299)
Balance, restated	(12,575,954)	(26,356,862)
Excess of revenues over expenses	91,816,165	13,780,908
Balance, end of year	<u>79,240,211</u>	<u>(12,575,954)</u>

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

English Montreal School Board Statement of Changes in Net Debt

Year ended June 30, 2023

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Balance, beginning of year		
Balance, as previously reported	(264,808,817)	(261,338,118)
Accounting change (note 2)	(108,770,231)	(104,143,358)
Balance, restated	(373,579,048)	(365,481,476)
Excess of revenues over expenses	91,816,165	13,780,908
Variations due to property and equipment		
Acquisition of property and equipment	(22,314,216)	(35,470,076)
Amortization of property and equipment	18,151,419	16,412,866
Gain on the disposition of property and equipment		(341,201)
Proceeds of the disposition of property and equipment		400,683
	(4,162,797)	(18,997,728)
Variation due to prepaid expenses and inventories	1,843,805	(2,880,752)
Increase (decrease) in net debt	89,497,173	(8,097,572)
Balance, end of year	(284,081,875)	(373,579,048)

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

English Montreal School Board

Statement of Cash Flows

Year ended June 30, 2023

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	91,816,165	13,780,908
Non-cash items		
Allowance for doubtful accounts	280,285	329,895
Allowance for employee future benefits	(228,814)	300,567
Prepaid expenses and inventories – supplies	1,843,805	(2,880,752)
Amortization of deferred investment grant	(50,651,853)	(14,254,229)
Accretion of discounted cash flows	5,633,285	4,626,873
Amortization of property and equipment	18,151,419	16,412,866
Gain on the disposition of property and equipment		(341,201)
Variations due to operating assets and liabilities	<u>(29,711,277)</u>	<u>21,379,486</u>
Cash flows from operating activities	<u>37,133,015</u>	<u>39,354,413</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(36,303,648)	(38,396,945)
Investments in fixed income	(31,786)	(251,204)
Proceeds of the disposition of property and equipment		400,683
Cash flows from investing activities	<u>(36,335,434)</u>	<u>(38,247,466)</u>
Net increase in cash and cash equivalents	797,581	1,106,947
Cash and cash equivalents, beginning of year	<u>4,152,368</u>	<u>3,045,421</u>
Cash and cash equivalents, end of year	<u><u>4,949,949</u></u>	<u><u>4,152,368</u></u>

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

English Montreal School Board

Notes to 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 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 - ACCOUNTING CHANGES

Asset retirement obligations

As at July 1, 2022, the School Board applied the recommendations of new Section PS 3280, Asset Retirement Obligations, of the *CPA Canada Public Sector Accounting Handbook*. In accordance with the requirements of new Section PS 3280, the School Board recognizes a liability and a corresponding increase in the cost of the tangible capital asset in question with respect to the legal obligations related to the retirement of a tangible capital asset that result from its acquisition, construction, development or normal use. These recommendations apply to asset retirement obligations for tangible capital assets controlled by the School Board that may or may not still be in productive use, including leased tangible capital assets.

In accordance with the new requirements, the School Board must recognize such a liability when all of the following criteria are satisfied:

- 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 economic benefits will be given up;
- A reasonable estimate of the amount involved can be made.

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after April 1, 2022, have been subject to modified retroactive application.

This accounting change led to an increase (decrease) in the following financial statement items:

	2023	2022
	\$	\$
Statement of operations		
Revenues		
Investment grant	61,420,963	
Amortization of deferred investment grant	34,637,353	

English Montreal School Board

Notes to Financial Statements

June 30, 2023

2 - ACCOUNTING CHANGES (Continued)

	2023	2022
	\$	\$
Expenses		
Property and equipment activities	6,460,715	5,454,302
Operating surplus (deficit)	<u>89,597,601</u>	<u>(5,454,302)</u>
Statement of accumulated operating surplus (deficit)		
Balance, beginning of year	(89,597,601)	(84,143,299)
Balance, end of year		(89,597,601)
Statement of financial position		
Investment grant receivable	100,772,808	
Deferred investment grant	4,714,491	
Other liabilities	100,772,808	108,770,231
Net debt	4,714,491	108,770,231
Tangible capital assets	4,714,491	19,172,630
Accumulated surplus (deficit)		(89,597,601)
Statement of changes in net debt		
Balance, beginning of year	108,770,231	104,143,358
Operating surplus (deficit)	89,597,601	(5,454,302)
Tangible capital assets	<u>14,458,139</u>	<u>827,429</u>
Balance, end of year	<u>4,714,491</u>	<u>108,770,231</u>

Financial instruments

As at July 1, 2022, the School Board adopted the recommendations of new Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the *CPA Canada Public Sector Accounting Handbook*.

Section PS 3450 sets out the standards for the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. The main items of this new section include the following:

- Items within the scope of the Section are assigned to one of two measurement categories: fair value, or cost or amortized cost;
- Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value;
- Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market;
- Other financial assets and financial liabilities are generally measured at cost or amortized cost;
- Until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses;

English Montreal School Board

Notes to Financial Statements

June 30, 2023

2 - ACCOUNTING CHANGES (Continued)

- Budget-to-actual comparisons are not required within the statement of remeasurement gains and losses;
- When the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category;
- New requirements clarify when financial liabilities are derecognized;
- The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and the intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- New disclosure requirements on the items reported and on the nature and extent of risks arising from financial instruments have been added.

Section PS 1201 provides a new financial statement (the statement of remeasurement gains and losses) for the recognition of remeasurement gains and losses, and provides that the accumulated surplus or deficit presented in the statement of financial position corresponds to the accumulated operating surplus or deficit and accumulated remeasurement gains and losses.

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after April 1, 2022, have been applied prospectively and, accordingly, comparative figures are presented in accordance with the accounting policies applied by the School Board before the adoption of these new sections.

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.

Accounting estimates

The preparation of financial statements requires the School Board's management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the School Board may undertake in the future. Actual results may differ from these estimates.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Initial measurement

The School Board recognizes a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

Transaction costs relating to financial instruments measured at cost or amortized cost are recognized as deferred charges. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the School Board measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

Transaction costs relating to long-term loans measured at amortized cost are amortized on a straight-line basis, contrary to the requirements of Canadian Public Sector Accounting Standards, which recommend the application of the effective interest rate method. Amortization of long-term debt issuance costs using the effective interest rate method would have no material impact on the School Board's operations or financial position.

The School Board determines whether there is any objective evidence of impairment of the financial assets, for both financial assets subsequently measured at amortized cost and financial assets subsequently measured at fair value. Any financial asset impairment is recognized in the statement of operations and, in the case of a financial asset classified to the fair value category, the reversal of any net remeasurements is presented in the statement of remeasurement gains and losses when an impairment is recognized.

For a portfolio investment, if there is objective evidence of impairment, the investment is written down when there is a loss in value that is other than a temporary decline. Any subsequent increase in value of a portfolio investment that has been written down is recognized in the statement of operations only when realized.

Cash and cash equivalents

The School Board's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances frequently fluctuate from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Inventories held for resale

Inventories held for resale are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

Deferred investment grant allocated for property and equipment acquisitions

The investment subsidy received for acquisitions of tangible capital assets is deferred and amortized in operations on the same basis and over the same period as related tangible capital assets, in accordance with the stipulations of these government transfers.

Prepaid revenues

Amounts received for revenues that will be earned in a subsequent year 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 years during which the received amounts must be used or consumed;
- Under accountability stipulations, execution is constantly monitored and failure to comply with the transfer conditions results in sanctions, such as repayment of the transferred resources.

Pension plans

Members of the School Board's staff participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des enseignants (RRE) or the Régime de retraite du personnel d'encadrement (RRPE). These multiemployer plans are defined benefit plans with guaranteed retirement and death benefits. The School Board's contributions to these government retirement plans for the year 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 changes in the provision for the year is recognized in expenses.

School Board's share of the bank loan and 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 bank loan and 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.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability for contaminated sites

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 liability for contaminated sites 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 liability for contaminated sites includes estimated costs of contaminated site management and decontamination. The School Board uses 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 during subsequent years. 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.

Asset retirement obligations

Asset retirement obligations are recognized when all of the following criteria are satisfied:

- 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 economic benefits will be given up;
- A reasonable estimate of the amount involved can be made.

The liability includes costs directly attributable to asset retirement activities, including post-retirement operations, care and maintenance.

On initial recognition of a liability for an asset retirement obligation, the School Board recognizes an asset retirement cost as an increase in the cost of the related tangible capital assets (or component) in the same amount as the liability. The retirement cost is therefore expensed over the useful life of the asset (or component) in question, in accordance with its amortization method and period.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The liability is reviewed annually based on the best information available at the financial statement date. When the tangible capital asset in question is in productive use, the annual change is recognized in operations for the year when it results from the passage of time, or as an adjustment to the cost of the tangible capital asset in question when it results from a revision of the timetable, the amount of estimated undiscounted cash flows, or a revision of the discount rate. Any change in the measurement of obligations relating to the retirement of tangible capital assets no longer in productive use is recognized as an expense in the period in which it occurs.

Non-financial assets

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

Tangible capital assets

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

Tangible capital assets are recognized at cost, including retirement costs, as appropriate. With the exception of land, the cost of tangible capital assets is amortized using 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 ⁽¹⁾
Leasehold improvements	Term of the lease
Materials and equipment	3 to 15 years
Specialized pedagogical teaching equipment	10 or 20 years
Library documents	10 years
School textbooks – initial purchases	5 years
Automotive equipment	5 years
Computer development	5 years
Telecommunication network	20 years

⁽¹⁾ Asset retirement costs capitalized under buildings and major building improvements are amortized over a period of 35 years.

Tangible capital assets under construction or development 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.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventories of supplies

Inventories, which consist of supplies to be consumed in the normal course of operations during the coming fiscal years, are presented as non-financial assets.

Prepaid expenses

Prepaid expenses 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 expenses when the School Board will benefit from the services paid for.

Revenue recognition

Subsidy revenues from the MEQ and other ministries and organizations are recognized in the year during which the events giving rise to the transfers occur, provided that they have been authorized, the eligibility criteria are met and a reasonable estimate of the amounts is possible, except when the terms of the agreement create an obligation that meets the definition of a liability. In such a case, the transfer is recognized as a liability under prepaid income.

Revenues from the school taxes and subsidies in lieu of taxes are managed by the CGTSIM and are recognized based on the proportion thereof allocated to the School Board and confirmed by the CGTSIM.

The School Board's main sources of revenues, other than contributions, are student fees, external sales and the recovery of direct costs that are presented in tuition and course-related fees, sales of goods and services, and other 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.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inter-entity transactions

Inter-entity transactions are transactions occurring with entities controlled by the Government of Quebec or subject to its shared control.

Assets received for no consideration from an entity included in the Government of Quebec 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.

4 - CASH FLOWS

	2023	Restated 2022
	\$	\$
Interest paid during the year	-	36,477
Interest received during the year	476,261	81,836

5 - OPERATING GRANTS RECEIVABLE

	2023	Restated 2022
	\$	\$
MEQ		
Youth, adult and vocational education	23,216,243	34,948,994
Debt service	(1,663)	(1,663)
Transportation	711,795	464,491
Contaminated sites	88,052	30,999
Other grants	74,622	60,238
	<u>24,089,049</u>	<u>35,503,059</u>

6 - INVESTMENT GRANT RECEIVABLE

	2023	Restated 2022
	\$	\$
Investment grant receivable (budgetary parameters)	<u>450,765,821</u>	<u>336,764,195</u>

English Montreal School Board

Notes to Financial Statements

June 30, 2023

7 - ACCOUNTS RECEIVABLE

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Accounts receivable – CGTSIM	74,032,353	60,371,834
Accounts receivable – other	4,749,411	3,554,183
Sabbatical leaves receivable	25,166	130,273
Commodity taxes receivable	1,475,341	1,117,265
	<u>80,282,271</u>	<u>65,173,555</u>
Allowance for doubtful accounts	(658,140)	(963,572)
	<u><u>79,624,131</u></u>	<u><u>64,209,983</u></u>

8 - MEASUREMENT UNCERTAINTY

The liability for asset retirement obligations involves measurement uncertainty and could change as a result of the continually evolving technologies used in asset retirement activities, and differences between the assumptions used to measure the liability and actual results. The main assumptions used include the estimate of current retirement costs, the rate of cost inflation and the discount rate. In addition, the requirement to safely dispose of asbestos contained in buildings is subject to measurement uncertainty due to the limitations inherent in assessing the quantities of asbestos contained in them, as well as the unknown timetable for the work when there is no building retirement plan.

9 - INVESTMENTS IN FIXED INCOME

Investments in fixed income bear interest at a rate between 2.3% and 5.04% (between 1.06% and 3.75% as at June 30, 2022).

10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Trade accounts payable and accrued liabilities	10,947,988	10,250,721
Salaries and benefits payable	30,019,274	29,591,559
Sabbatical leave payable	2,352,860	2,506,990
Holdbacks on contracts and accounts payable – tangible capital assets	10,040,180	10,398,904
	<u><u>53,360,302</u></u>	<u><u>52,748,174</u></u>

English Montreal School Board

Notes to Financial Statements

June 30, 2023

11 - 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 can 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 30 if they are not used at that date.

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Vacation	8,246,419	7,924,058
Other sick leave	847,331	860,998
Salary insurance	137,427	172,370
Other social benefits	202,476	376,787
Sick leave convertible into cash – teachers	4,736,868	5,044,576
Employer contributions payable	2,579,704	2,600,251
	<u>16,750,225</u>	<u>16,979,040</u>

12 - LIABILITY FOR CONTAMINATED SITES

Contaminants that have resulted in the recognition of a liability for contaminated sites are petroleum hydrocarbons and are attributable to heating fuel tank leak.

The liability for contaminated sites is measured on the basis of the current rehabilitation cost, that is, the amount it would cost to rehabilitate the site at the date of the financial statements. To reflect the level of accuracy associated with the method used, the estimated costs are increased for each site in the liability for contaminated sites.

13 - ASSET RETIREMENT OBLIGATIONS

The School Board's asset retirement obligations primarily concern the removal of asbestos from its buildings.

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
Balance, beginning of year	108,770,231	
Accounting change		104,143,358
Accretion of discounted cash flows	5,633,285	4,626,873
Revision of assumption	(13,630,708)	
Balance, end of year	<u>100,772,808</u>	<u>108,770,231</u>

English Montreal School Board

Notes to Financial Statements

June 30, 2023

13 - ASSET RETIREMENT OBLIGATIONS (Continued)

Main assumptions used

The removal of asbestos from buildings with an unknown timetable accounts for 9.67% of the total liability for asset retirement obligations. The main assumptions used for this obligation are as follows:

	<u>Asbestos removal</u>
Discount rate, including inflation	5.54%
Discount period ⁽¹⁾	From 0 year to 50 years
Inflation rate	3.04%

⁽¹⁾ The discount period presented reflects the estimated duration of asset retirement work, which typically spans one year.

The estimated costs of performing the asset retirement work, as at June 30, 2023, and included in the measurement of the liability, amount to \$135,154,507 (\$121,575,722 as at June 30, 2022). This amount is not actualized.

A grant of \$100,772,808 was granted to the School Board for its asset retirement obligations. Of this amount, \$96,058,317 were recognized in revenues. The balance of \$4,714,491 was recognized in deferred revenues. The grant is calculated on the actualized amount of the costs and is adjusted to the actual costs on disbursement.

14 - DEFERRED INVESTMENT GRANT

	2023	Restated 2022
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	290,470,332	269,308,601
Amounts recognized as deferred contributions	74,975,487	35,429,255
Contributions recognized as revenues for the year	(50,651,853)	(14,267,524)
Balance, end of year	<u>314,793,966</u>	<u>290,470,332</u>

15 - SCHOOL BOARD'S SHARE OF THE BANK LOAN AND THE LONG-TERM DEBT SUBJECT TO A PLEDGE OF GRANT HELD BY THE CGTSIM

The bank loan and long-term debt of school boards on the Island of Montréal are 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.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

16 - OTHER LIABILITIES

	2023	Restated 2022
	\$	\$
Class action	70,727	75,535
Asset retirement obligations	100,772,808	108,770,231
Other	4,017,842	3,328,749
Accrual for salary retroactivity and lump-sum amounts	2,534,394	1,852,145
	<u>107,395,771</u>	<u>114,026,660</u>

17 - TANGIBLE CAPITAL ASSETS

	2023		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land development			
Land	17,314,227		17,314,227
Land development	25,632,013	6,282,059	19,349,954
Buildings			
Buildings	258,976,863	204,077,774	54,899,089
Asset retirement obligations	39,351,845	34,637,354	4,714,491
Major building improvements	293,844,603	49,017,191	244,827,412
Materials and equipment	30,270,525	19,671,136	10,599,389
Specialized pedagogical teaching equipment	14,755,774	6,109,930	8,645,844
Computer development	1,606,686	879,333	727,353
	<u>681,752,536</u>	<u>320,674,777</u>	<u>361,077,759</u>
			Restated 2022
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land development			
Land	17,314,227		17,314,227
Land development	23,448,995	5,266,549	18,182,446
Buildings			
Buildings	258,891,354	201,839,684	57,051,670
Asset retirement obligations	52,982,554	33,809,924	19,172,630
Major building improvements	266,020,189	41,166,140	224,854,049
Materials and equipment	29,539,763	17,695,792	11,843,971
Specialized pedagogical teaching equipment	13,610,100	5,867,219	7,742,881
Computer development	1,603,933	850,845	753,088
	<u>663,411,115</u>	<u>306,496,153</u>	<u>356,914,962</u>

English Montreal School Board

Notes to Financial Statements

June 30, 2023

17 - TANGIBLE CAPITAL ASSETS (Continued)

Tangible capital assets include the following:

- Tangible capital assets under construction or development for an amount of \$33,151,233 (\$27,706,809 as at June 30, 2022), of which \$30,273,114 for major improvements and transformation (\$23,777,077 as at June 30, 2022) and \$2,878,119 for land development (\$3,929,732 as at June 30, 2022). These tangible capital assets are not amortized.

As at June 30, 2023, accounts payable and accrued liabilities include \$10,040,180 that relate to the acquisition of property and equipment (\$10,398,904 as at June 30, 2022).

18 - RISK MANAGEMENT AND FINANCIAL RISKS

Risk management policy

The School Board is exposed to various risks related to its financial instruments.

The School Board management manages financial risks

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The following provides a measure of risks at the year-end date.

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, excluding commodity taxes 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.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

18 - RISK MANAGEMENT AND FINANCIAL RISKS (Continued)

The aging of accounts receivable, net of the allowance for doubtful accounts and excluding the advance from CGTSIM, as at June 30 is detailed as follows:

	2023	Restated 2022
	\$	\$
Receivables not past due	994,895	708,426
Receivables past due		
Less than three months	122,237	153,354
Between three and six months	2,937,987	1,830,615
More than one year	658,572	963,572
Subtotal	4,713,691	3,655,967
Less: allowance for doubtful accounts	(658,572)	(963,572)
Total	<u>4,055,119</u>	<u>2,692,395</u>

The change in the allowance for doubtful accounts is attributable to the following:

	2023	Restated 2022
	\$	\$
Balance, beginning of year	963,572	643,572
Impairment loss recognized in the statement of operations	295,000	320,000
Amounts written off	600,000	
Balance, end of year	<u>658,572</u>	<u>963,572</u>

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 the risk of changes in fair value and those with variable interest rate, to a cash flow risk.

Fixed interest rate financial instruments are investments in fixed income.

The School Board does not use derivative financial instruments to reduce its interest rate risk exposure.

A reasonably possible increase or decrease in interest rates of 2% (2% as at June 30, 2022) would not have a significant impact on operating surplus for the year, or on net remeasurement gains for the year.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

18 - RISK MANAGEMENT AND FINANCIAL RISKS (Continued)

Liquidity risk

The School Board's liquidity risk represents the risk that the School Board could encounter difficulty in meeting obligations associated with its financial liabilities. The School Board is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized 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 that it has the necessary funds to fulfil its obligations.

The contractual maturities for financial liabilities (undiscounted, excluding any interest payment and amount payable to the CGTSIM) are as follows:

	Less than 1 year	1 year to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	34,497,915			
Allowance for employee benefits	8,246,419		1,049,807	4,736,868
Other liabilities	2,333,579			
Total	<u>45,077,913</u>	<u>–</u>	<u>1,049,807</u>	<u>4,736,868</u>

19 - CONTRACTUAL OBLIGATIONS AND RIGHTS

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 and rights.

Contractual obligations

- An amount of \$51,345,293 for construction, renovation and land improvement agreements to be completed during 2023-2024;
- An amount of \$40,323,281 for long-term lease agreements for the rental of photocopiers and other contracts maturing at different dates between 2022 and 2032. Minimum lease payments for the next five years are \$15,865,356 in 2024, \$7,300,114 in 2025, \$5,980,639 in 2026, \$1,858,259 in 2027 and \$1,773,052 in 2028;
- An amount of \$2,891,850 for professional development to be completed during 2023-2024;
- An amount of \$793,046 for apprenticeship programs to be completed during 2023-2024;
- An amount of \$3,756,627 for other collective agreements during 2023-2024;
- An amount of \$59,135,532 for school transportation contracts, which mature on June 30, 2028.

English Montreal School Board

Notes to Financial Statements

June 30, 2023

19 - CONTRACTUAL OBLIGATIONS AND RIGHTS (Continued)

Contractual rights

The School Board has concluded leases of premises, which mature in 2024 and provide for rents amounting to \$881,277.

20 - CONTINGENCIES

As at June 30, 2023, outstanding claims against the School Board amount to \$1,268,050 and consist of various claims on construction contracts and other. In order to cope with potential losses from such claims, a provision of \$243,501 was recorded in liabilities in the financial statements. Any variation resulting from the outcome of these contingencies will be recognized in the statement of operations in the current fiscal year.

21 - 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.

English Montreal School Board

Supplementary Information

Year ended June 30, 2023

(Unaudited)

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

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
EXPENSES BY NATURE		
Teaching activities		
Salaries and fringe benefits	171,203,336	166,131,017
Other expenses	9,557,844	8,923,594
	<u>180,761,180</u>	<u>175,054,611</u>
Educational support activities		
Salaries and fringe benefits	87,451,559	82,524,171
Other expenses	14,827,339	12,687,060
	<u>102,278,898</u>	<u>95,211,231</u>
Extracurricular activities		
Salaries and fringe benefits	11,397,037	10,600,253
Other expenses	17,012,021	14,038,613
	<u>28,409,058</u>	<u>24,638,866</u>
Administrative activities		
Salaries and fringe benefits	15,575,857	13,500,819
Other expenses	3,430,628	3,586,587
	<u>19,006,485</u>	<u>17,087,406</u>
Property and equipment activities		
Salaries and fringe benefits	11,725,022	11,430,962
Amortization of property and equipment	18,151,419	16,412,866
Accretion expense	5,633,284	4,626,873
Gain on the disposition of property and equipment		(341,201)
Other expenses	17,448,594	15,067,489
	<u>52,958,319</u>	<u>47,196,989</u>
Other activities		
Salaries and fringe benefits	5,354,338	3,600,268
Debt service	619,591	(174,746)
Environmental liability	82,758	5,296
Allowance for doubtful accounts	280,285	329,895
Other expenses	18,201,826	16,786,711
	<u>24,538,798</u>	<u>20,547,424</u>
Allowance for employee benefits	(228,815)	300,567
	<u>407,723,923</u>	<u>380,037,094</u>

English Montreal School Board

Supplementary Information

Year ended June 30, 2023

(Unaudited)

	<u>2023</u>	Restated <u>2022</u>
	\$	\$
<i>ACCUMULATED SURPLUS (DEFICIT)</i>		
Balance, beginning of year and as previously reported	77,021,647	57,786,437
Accounting change	(89,597,601)	(84,143,299)
Balance, restated	(12,575,954)	(26,356,862)
Total revenues	499,540,088	393,818,002
Total expenses	407,723,923	380,037,094
Excess of revenues over expenses	91,816,165	13,780,908
Balance, end of year	79,240,211	(12,575,954)
Accumulated operating surplus (deficit)		
Land	17,314,227	17,314,227
School Board	50,525,540	(39,350,617)
Gain on disposal of property and equipment	7,528,681	7,528,681
Schools and centres	3,871,763	1,931,755
Balance, end of year	79,240,211	(12,575,954)
Excess (deficiency) of revenues over expenses		
School Board	89,876,157	13,935,440
Schools and centres	1,940,008	(154,532)
Excess of revenues over expenses	91,816,165	13,780,908