

**English Montreal School Board**  
**Financial Statements**  
**June 30, 2018**

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Accumulated Operating Surplus	6
Statement of Changes in Net Debt	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 20
Supplementary Information	21 - 22

## Independent Auditor's Report

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To the Council of Commissioners of  
English Montreal School Board

We have audited the accompanying financial statements of English Montreal School Board, which comprise the statement of financial position as at June 30, 2018 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 a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of English Montreal School Board as at June 30, 2018 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.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
October 3, 2018

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A117472

# English Montreal School Board

## Statement of Financial Position

June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	2,655,667	3,087,603
Operating grants receivable (Note 6)	43,773,968	43,791,101
Financing grants receivable	71,068,298	72,849,773
Accounts receivable (Note 7)	7,284,532	24,401,890
Inventory held for sale	231,257	184,303
Investments in fixed income, 1.1% to 2.22% (1.44% to 2.1% as at June 30, 2017), maturing between 2019 and 2022	340,947	394,941
	<u>125,354,669</u>	<u>144,709,611</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	47,456,164	54,475,057
Deferred contributions related to the acquisition of property and equipment (Note 9)	1,938,873	1,908,648
Deferred revenues	16,762,094	14,944,436
Accrued employee future benefits (Note 10)	18,135,439	17,928,130
Environmental liabilities	2,241,841	3,523,933
Other liabilities (Note 11)	209,475,185	182,947,029
	<u>296,009,596</u>	<u>275,727,233</u>
<b>NET DEBT</b>	<b>(170,654,927)</b>	<b>(131,017,622)</b>
<b>NON-FINANCIAL ASSETS</b>		
Property and equipment (Note 12)	248,831,795	208,578,241
Inventory – supplies	1,020,243	851,508
Prepaid expenses	634,738	454,133
	<u>250,486,776</u>	<u>209,883,882</u>
<b>ACCUMULATED OPERATING SURPLUS</b>	<b>79,831,849</b>	<b>78,866,260</b>

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

# English Montreal School Board

## Statement of Operations

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Revenues</b>		
Ministère de l'Éducation et de l'Enseignement supérieur (MEES) operating grants	<b>236,254,183</b>	226,424,792
Other grants and contributions	<b>1,523,883</b>	1,749,804
School taxes	<b>66,216,414</b>	64,606,527
Tuition and course-related fees	<b>16,972,033</b>	21,135,664
Sales of goods and services	<b>19,470,601</b>	19,754,128
Other revenues	<b>3,157,300</b>	4,121,131
	<b><u>343,594,414</u></b>	<u>337,792,046</u>
<b>Expenses</b>		
Teaching activities	<b>166,220,502</b>	162,084,850
Educational support activities	<b>80,307,629</b>	74,068,476
Extracurricular activities	<b>24,100,514</b>	22,201,702
Administrative activities	<b>16,138,068</b>	15,657,957
Property and equipment activities	<b>37,707,065</b>	35,868,453
Other	<b>14,147,739</b>	13,839,589
Class action	<b>3,800,000</b>	
Expenses related to the variation of the provisions for employee benefits (Note 10)	<b>207,308</b>	129,626
	<b><u>342,628,825</u></b>	<u>323,850,653</u>
<b>Excess of revenues over expenses</b>	<b><u>965,589</u></b>	<u>13,941,393</u>

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

## English Montreal School Board

### Statement of Accumulated Operating Surplus

Year ended June 30, 2018

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	<u>2018</u>	<u>2017</u>
	\$	\$
Accumulated operating surplus, beginning of year	<b>78,866,260</b>	64,924,867
Excess of revenues over expenses	<b>965,589</b>	13,941,393
Accumulated operating surplus, end of year	<b><u>79,831,849</u></b>	<b><u>78,866,260</u></b>

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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, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Net debt, beginning of year	<u>(131,017,622)</u>	<u>(128,966,585)</u>
Excess of revenues over expenses	<u>965,589</u>	<u>13,941,393</u>
Variations due to property and equipment		
Acquisition of property and equipment	<u>(52,212,525)</u>	<u>(27,480,362)</u>
Amortization of property and equipment	<u>11,958,971</u>	<u>11,587,933</u>
	<u>(40,253,554)</u>	<u>(15,892,429)</u>
Variation due to prepaid expenses and inventory	<u>(349,340)</u>	<u>(100,001)</u>
Increase of net debt	<u>(39,637,305)</u>	<u>(2,051,037)</u>
Net debt, end of year	<u><u>(170,654,927)</u></u>	<u><u>(131,017,622)</u></u>

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

## English Montreal School Board

### Statement of Cash Flows

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b><i>OPERATING ACTIVITIES</i></b>		
Excess of revenues over expenses	<b>965,589</b>	13,941,393
Non-cash items		
Provisions for employee future benefits	<b>207,308</b>	129,626
Prepaid expenses and inventory – supplies	<b>(349,340)</b>	(100,001)
Amortization of deferred revenues on property and equipment	<b>(144,267)</b>	(152,175)
Amortization of property and equipment	<b>11,958,971</b>	11,587,933
Variations due to operating assets and liabilities	<b>38,025,655</b>	(1,030,380)
Cash flows from operating activities	<b>50,663,916</b>	24,376,396
<b><i>INVESTING ACTIVITIES</i></b>		
Cash outflow from the acquisition of property and equipment and cash flows from investing activities	<b>(51,095,852)</b>	(25,938,680)
<b>Net decrease in cash</b>	<b>(431,936)</b>	(1,562,284)
Cash, beginning of year	<b>3,087,603</b>	4,649,887
Cash, end of year	<b>2,655,667</b>	3,087,603

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

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **1 - GOVERNING STATUTES**

The School Board was incorporated under decree 1014-97 on August 13, 1997 of the Education Act. The financial statements have been prepared to satisfy the requirements of section 287 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 established by the Government of Quebec. 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 School Board's financial statements are prepared 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 for in the financial statements is based on management's 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 financial statements date and the recognition of revenues and expenses for the period presented in the financial statements. Estimates and assumptions were used to evaluate the main items, such as useful life of property and equipment, accrued liabilities, allowance for future benefits and environmental liability. Actual results may differ from management's 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 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.

##### *Accounts receivable*

Accounts receivable, with the exception of 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 expenses.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Inventory held for resale*

Inventory held for sale is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

#### *Investments*

Long-term investments are valued at cost. They are written down when there is a loss in value that is other than a temporary decline. The annual variation of the write-down is included in expenses. A write-down of an investment is not reversed should there be a subsequent increase in value.

### **Liabilities**

#### *Deferred investment subsidy and deferred contributions allocated for property and equipment acquisitions*

The investment subsidy and contributions received for acquisitions of property and equipment are deferred and amortized in 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 plan*

Members of the School Board's staff participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), Régime de retraite des enseignants (RRE) or Régime de retraite du personnel d'encadrement (RRPE). These multi-employer 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.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *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 annual change in the provisions is recognized in expenses.

*School Board's share of the long-term debt is 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 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 that 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 variations of these liabilities as at June 30, 2018. 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 lives extend beyond the period, and are intended to be used sustainably for the production of goods or delivery of service.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 5 or 15 years
Specialized pedagogical teaching equipment	10 or 20 years
Computer development	5 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.

#### *Inventory*

Inventory which consists of supplies to be consumed in the normal course of operations during the coming fiscal year(s) is presented as non-financial asset. Inventory held for sale is presented as financial asset. These inventories are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

#### *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 year. These costs will be added to the expenses when the School Board will benefit from the services paid for.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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 Liabilities – Deferred revenues section.

The revenues from the school taxes and the subsidies in lieu of taxes are managed by the CGTSIM and 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 the 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.

### **3 - ACCOUNTING CHANGES**

On April 1, 2017, the School Board adopted the following five new accounting standards:

- PS 2200, Related party disclosures;
- PS 3210, Assets;
- PS 3320, Contingent assets;
- PS 3380, Contractual rights;
- PS 3420, Inter-entity transactions.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **3 - ACCOUNTING CHANGES (Continued)**

#### **Related parties and inter-entity transactions**

Section PS 2200, Related party disclosures, defines a related party and establishes disclosures required for related party transactions. This new standard results in the following changes:

- The identification of relationships: Relationships have been expanded to include the School Board's main directors, such as the Director General, the Director General's close family members and entities under the sole or shared control of these persons.
- Related party transaction disclosures: The standard requires the following disclosures about related party transaction on the basis of the following two characteristics:
  - \* They have occurred at a value different from that which would have been arrived at if the parties were unrelated; and
  - \* They have (or could have in the case of unrecognized transactions) a material financial effect on the financial statements.

Required disclosure includes, in particular, the nature of the related party relationship and the amounts in question. If disclosure is required, it is not identifiable, which avoids having to identify the parties involved. These new changes do not have a significant impact on the School Board's items with respect to listing related parties and disclosure of additional information in the financial report.

Section PS 3420, Inter-entity transactions, establishes recognition and disclosure standards applicable to transactions between entities that comprise a government's reporting entity from both a provider and recipient perspective.

Adoption of these standards did not have any impact on the School Board's operations and financial position. As applicable, the impacts are limited to disclosures in the notes to financial statements.

#### **Assets, contingent assets and contractual rights**

Section PS 3210, Assets, provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts and establishes general disclosure standards for assets. The major categories of unrecognized assets must be disclosed.

When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.

Section PS 3320, Contingent assets, defines and establishes disclosure standards on contingent assets. Disclosure is required when the occurrence of the confirming future event is likely.

Section PS 3380, Contractual rights, defines and establishes disclosure standards on contractual rights. Disclosure about contractual rights is required and should include a description of their nature and extent and the timing.

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

### 3 - ACCOUNTING CHANGES (Continued)

Adoption of these standards did not have any impact on the School Board's operations and financial position. As applicable, the impacts are limited to disclosures in the notes to financial statements.

### 4 - BUDGET FORECAST PRESENTATION

According to the Education Act (CQLR c. 1-13.3), 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:

	Budget 2017-2018	Actual 2017-2018
	\$	\$
Revenues		
MEES operating grants	234,234,145	236,254,183
Other grants and contributions	1,045,000	1,523,883
School taxes	66,232,906	66,216,414
Tuition and course-related fees	16,211,300	16,972,033
Sales of goods and services	18,317,600	19,470,601
Other revenues	1,775,902	3,157,300
Total revenues	<u>337,816,853</u>	<u>343,594,414</u>
Expenses		
Teaching activities	176,651,792	166,220,502
Educational support activities	77,108,064	80,307,629
Extracurricular activities	22,213,000	24,100,514
Administrative activities	17,284,969	16,138,068
Property and equipment activities	34,398,624	37,707,065
Class action		3,800,000
Other	14,758,456	14,147,739
Expenses related to the variation of the provisions for employee future benefits	531,762	207,308
	<u>342,946,667</u>	<u>342,628,825</u>
Surplus (deficit) for the year	<u>(5,129,814)</u>	<u>965,589</u>

### 5 - CASH FLOWS

	2018	2017
	\$	\$
Interest paid during the year	15,243	26,474
Interest received during the year	158,585	63,728

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

### 6 - OPERATING GRANTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
MEES		
Youth, adult education and vocational education	30,110,827	29,475,564
Debt service	(186,228)	(148,629)
Transportation	(142,716)	(94,188)
Contaminated land	325,139	708,998
Other grants	38,245	220,655
Financing of employee future benefits	13,628,701	13,628,701
	<u>43,773,968</u>	<u>43,791,101</u>

### 7 - ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts receivable – CGTSIM	2,134,268	18,902,725
Accounts receivable – other	4,064,455	5,144,475
Sabbatical leave receivable	291,922	115,688
Commodity taxes receivable	1,732,713	1,519,219
	<u>8,223,358</u>	<u>25,682,107</u>
Allowance for doubtful accounts	(938,826)	(1,280,217)
	<u>7,284,532</u>	<u>24,401,890</u>

### 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts payable and accrued liabilities	10,571,659	16,419,573
Salaries and benefits payable	23,666,456	26,435,447
Sabbatical leave payable	2,218,733	1,737,394
Holdbacks on contracts and accounts payable – assets	10,999,316	9,882,643
	<u>47,456,164</u>	<u>54,475,057</u>

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance, beginning of year	1,908,648	1,972,708
Amounts recognized as deferred contributions	174,492	88,115
Contributions recognized as revenues for the year	(144,267)	(152,175)
Balance, end of year	<u>1,938,873</u>	<u>1,908,648</u>

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

### 10 - 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 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>2018</u>	<u>2017</u>
	\$	\$
Other sick leave	859,779	855,123
Sick leave convertible into cash – teachers	5,910,090	6,162,469
Vacation	6,698,911	6,521,370
Other social benefits	2,039,600	1,827,110
Employer contributions payable	2,627,059	2,562,058
	<u>18,135,439</u>	<u>17,928,130</u>

### 11 - OTHER LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
CNESST's retrospective program provision	811,256	734,652
School Board's share of the long-term debt that is subject to a subsidy commitment held by the CGTSIM	202,693,182	180,170,927
Class action	3,800,000	
Other liabilities	2,170,747	2,041,450
	<u>209,475,185</u>	<u>182,947,029</u>

The long-term debt of school boards on the Island of Montreal 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.

## English Montreal School Board Notes to Financial Statements

June 30, 2018

### 12 - PROPERTY AND EQUIPMENT

	2018		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land development			
Land	17,597,404		17,597,404
Land development	13,709,408	2,386,070	11,323,338
Buildings			
Buildings	260,005,505	199,040,120	60,965,385
Major building improvements	160,863,612	19,717,002	141,146,610
Material and equipment	26,096,008	16,389,740	9,706,268
Specialized pedagogical teaching equipment	12,398,363	4,923,255	7,475,108
Computer development	1,506,872	889,190	617,682
	<u>492,177,172</u>	<u>243,345,377</u>	<u>248,831,795</u>
			2017
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land development			
Land	17,597,404		17,597,404
Land development	12,094,876	1,821,304	10,273,572
Buildings			
Buildings	239,633,985	197,324,915	42,309,070
Major building improvements	139,237,620	15,443,934	123,793,686
Material and equipment	25,792,965	16,329,133	9,463,832
Specialized pedagogical teaching equipment	8,487,040	3,979,764	4,507,276
Computer development	1,509,062	875,661	633,401
	<u>444,352,952</u>	<u>235,774,711</u>	<u>208,578,241</u>

The total amount of property and equipment includes \$45,364,881 of property and equipment in progress or development (\$21,212,551 as at June 30, 2017), \$1,857,723 for land development (\$1,300,042 as at June 30, 2017), \$23,699,439 for buildings (\$3,398,526 as at June 30, 2017) and \$19,807,719 for major improvements and transformation (\$16,513,983 as at June 30, 2017). No amortization is taken on this property and equipment.

The two major building improvements in 2018 include the construction of the Mackay Centre valued at approximately \$30,000,000 and the Bancroft slab project valued at \$9,800,000.

As at June 30, 2018, accounts payable and accrued liabilities include \$10,999,316 that relate to acquisition of tangible capital assets (\$9,882,643 as at June 30, 2017).

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **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, 2018.

#### **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. 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 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 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 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.

### **14 - COMMITMENTS**

As part 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 \$24,986,913 for construction, renovations and land improvement agreements to be completed during 2018-2019;

# English Montreal School Board

## Notes to Financial Statements

June 30, 2018

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### **14 - COMMITMENTS (Continued)**

- An amount of \$32,407,724 for long-term lease agreements for the rental of photocopiers and other contracts maturing at different dates between 2018 and 2032. Minimum lease payments for the next five years are \$4,668,807 in 2019, \$3,683,963 in 2020, \$3,295,611 in 2021, \$3,247,134 in 2022 and \$1,661,931 in 2023;
- An amount of \$1,308,100 for professional development;
- An amount of \$632,992 for apprenticeship programs;
- An amount of \$32,713,584 for school transportation contracts, which are maturing in June 30, 2022. Minimum payments for the next four years are \$8,178,396 per year.

### **15 - CONTINGENCIES**

As at June 30, 2018, outstanding claims against the School Board amount to \$939,189 and consist of various claims on construction contracts and other. In respect of these claims, management has recorded no provision.

### **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 of 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. The School Board had 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, 2018

(Unaudited)

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

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>EXPENSES BY NATURE</b>		
Teaching activities		
Salaries and fringe benefits	153,161,260	148,971,287
Other expenses	13,059,242	13,113,563
	<u>166,220,502</u>	<u>162,084,850</u>
Educational support activities		
Salaries and fringe benefits	65,111,054	58,043,203
Other expenses	15,196,575	16,025,273
	<u>80,307,629</u>	<u>74,068,476</u>
Extracurricular activities		
Salaries and fringe benefits	11,233,717	9,658,259
Other expenses	12,866,797	12,543,443
	<u>24,100,514</u>	<u>22,201,702</u>
Administrative activities		
Salaries and fringe benefits	12,575,830	12,177,218
Other expenses	3,562,238	3,480,739
	<u>16,138,068</u>	<u>15,657,957</u>
Property and equipment activities		
Salaries and fringe benefits	10,264,662	9,956,394
Amortization of property and equipment	11,958,971	11,587,933
Other expenses	15,483,432	14,324,126
	<u>37,707,065</u>	<u>35,868,453</u>
Other activities		
Salaries and fringe benefits	943,723	824,476
Debt services	158,945	221,215
Environmental liabilities	(1,028,007)	(125,191)
Allowance for doubtful accounts	(277,997)	(712,172)
Class action	3,800,000	
Other expenses	14,351,075	13,631,261
	<u>17,947,739</u>	<u>13,839,589</u>
Provisions for employee future benefits	207,308	129,626
	<u>342,628,825</u>	<u>323,850,653</u>

## English Montreal School Board Supplementary Information

Year ended June 30, 2018

(Unaudited)

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>ACCUMULATED OPERATING SURPLUS</b>		
Accumulated operating surplus, beginning of year	<u>78,866,260</u>	<u>64,924,867</u>
Total revenues	<b>343,594,414</b>	337,792,046
Total expenses	<b>342,628,825</b>	323,850,653
Excess of revenues over expenses	<u>965,589</u>	<u>13,941,393</u>
Accumulated operating surplus, end of year	<u><b>79,831,849</b></u>	<u>78,866,260</u>
Accumulated operating surplus		
Land	<b>17,597,404</b>	17,597,404
School Board	<b>52,391,998</b>	51,837,234
Gain on disposal of property and equipment	<b>7,187,480</b>	7,187,480
Schools and centres	<u>2,654,967</u>	<u>2,244,142</u>
Accumulated operating surplus, end of year	<u><b>79,831,849</b></u>	<u>78,866,260</u>
Excess (deficiency) of revenues over expenses for the year		
Land		
School Board	<b>554,764</b>	15,947,856
Schools and centres	<u>410,825</u>	<u>(2,006,463)</u>
Excess of revenues over expenses for the year	<u><b>965,589</b></u>	<u>13,941,393</u>