

Independent Auditor's Report

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To the Council of Commissioners of
English Montreal School Board

Qualified opinion

We have audited the financial statements of English Montreal School Board (hereafter "the School Board"), which comprise the statement of financial position as at June 30, 2024, and the statement of operations, the statement of accumulated 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, 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, 2024, and the results of its operations, its remeasurement gains and losses, 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 qualified opinion

The School Board recognized a liability for asset retirement obligations and a corresponding subsidy receivable from the Ministère de l'Éducation du Québec (MEQ) in the statement of financial position as at June 30, 2024 and 2023. We were unable to obtain sufficient appropriate audit evidence about the amounts recognized and information concerning the asset retirement obligations. As a result, we were not able to determine whether any adjustments might be necessary to the amounts recognized as a liability for asset retirement obligations and subsidy receivable – asset retirement obligations as at June 30, 2024 and 2023, to the accumulated surplus as at July 1, 2023 and June 30, 2024 and 2023, and to the subsidy income from the MEQ as well as the information provided on asset retirement obligations or other financial statement items for the years ended June 30, 2024 and 2023. This situation caused us to express a qualified opinion on the financial statements for the year ended June 30, 2024, as we did for the financial statements for the year ended June 30, 2023, due to the potential impact of this limitation in the scope of work.

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 22, 2024

¹ CPA auditor, public accountancy permit no. A117472

English Montreal School Board

Statement of Financial Position

June 30, 2024

	2024	Restated 2023
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	3,334,010	4,949,949
Operating grants receivable (Note 5)	57,217,198	24,089,049
Investment grant receivable (Note 6)	427,630,086	450,297,629
Financing grants receivable	2,008,850	2,012,972
Accounts receivable (Note 7)	78,197,251	79,624,131
Inventories held for resale	266,347	237,255
Investments in fixed income (Note 9)	470,134	527,997
Other assets	576,753	1,691,254
	<u>569,700,629</u>	<u>563,430,236</u>
LIABILITIES		
School Board's share of the bank loan subject to a pledge of grant held by the CGTSIM (Note 15)	13,988,505	14,368,409
Accounts payable and accrued liabilities (Note 10)	63,524,004	53,360,302
Deferred investment grant (Note 14)	356,604,894	314,777,841
Deferred revenues	9,877,341	10,364,109
Allowance for employee benefits (Note 11)	19,240,503	16,750,225
School Board's share of the long-term debt subject to a pledge of grant held by the CGTSIM (Note 15)	305,185,862	328,934,549
Liability for contaminated sites (Note 12)	2,008,849	2,012,972
Other liabilities (Note 16)	134,415,140	106,927,579
	<u>904,845,098</u>	<u>847,495,986</u>
NET DEBT	<u>(335,144,469)</u>	<u>(284,065,750)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	401,683,280	361,061,635
Inventories – supplies	1,239,510	1,081,661
Prepaid expenses	1,773,623	1,162,665
	<u>404,696,413</u>	<u>363,305,961</u>
ACCUMULATED SURPLUS	<u>69,551,944</u>	<u>79,240,211</u>

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

English Montreal School Board

Statement of Operations

Year ended June 30, 2024

	2024	Restated 2023
	\$	\$
Revenues		
Ministère de l'Éducation (MEQ) operating grants	339,553,414	315,641,871
Investment grants	4,935,151	6,098,914
Other grants and contributions	2,172,680	1,508,004
School taxes	43,704,502	42,342,741
Tuition and course-related fees	6,883,506	4,348,193
Sales of goods and services	14,144,149	13,958,128
Other revenues	9,671,175	9,171,611
Amortization of deferred investment grants	14,188,326	16,839,088
	<u>435,252,903</u>	<u>409,908,550</u>
Expenses		
Teaching activities	180,038,690	180,761,180
Educational support activities	107,505,657	102,278,897
Extracurricular activities	27,391,132	28,409,058
Administrative activities	22,047,403	19,006,485
Tangible capital asset activities	48,004,502	52,924,385
Retroactive wages and pay equity	21,784,594	2,673,848
Other	35,728,770	21,864,949
Expenses related to the variation of the allowance for employee benefits (Note 11)	2,490,278	(228,815)
Gain on the disposition of tangible capital assets	(49,856)	
	<u>444,941,170</u>	<u>407,689,987</u>
Excess (deficiency) of revenues over expenses before investment grant for previous years' asset retirement obligations	(9,688,267)	2,218,563
Investment grant for previous years' asset retirement obligations		89,179,470
Excess (deficiency) of revenues over expenses	<u>(9,688,267)</u>	<u>91,398,033</u>

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

English Montreal School Board

Statement of Accumulated Surplus

Year ended June 30, 2024

	<u>2024</u>	Restated <u>2023</u>
	\$	\$
Balance, beginning of year		
Balance, as previously reported	79,240,211	(12,575,954)
Accounting changes (Note 2)		418,132
Balance, restated	79,240,211	(12,157,822)
Excess (deficiency) of revenues over expenses	(9,688,267)	91,398,033
Balance, end of year	<u>69,551,944</u>	<u>79,240,211</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, 2024

	2024	Restated 2023
	\$	\$
Balance, beginning of year		
Balance, as previously reported	(284,081,874)	(373,579,048)
Accounting changes (Note 2)	16,124	499,696
Balance, restated	(284,065,750)	(373,079,352)
Excess (deficiency) of revenues over expenses	(9,688,267)	91,398,033
Variations due to tangible capital assets		
Acquisition of tangible capital assets	(66,884,316)	(35,944,925)
Amortization of tangible capital assets	15,231,938	18,148,578
Gain on the disposition of tangible capital assets	(49,856)	
Proceeds on disposal of tangible capital assets	50,500	
Review of tangible capital asset estimates	11,030,089	13,568,110
	(40,621,645)	(4,228,237)
Variation due to prepaid expenses and inventories	(768,807)	1,843,806
Increase (decrease) in net debt	(51,078,719)	89,013,602
Balance, end of year	(335,144,469)	(284,065,750)

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

English Montreal School Board

Statement of Cash Flows

Year ended June 30, 2024

	2024	Restated 2023
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(9,688,267)	91,398,033
Non-cash items		
Allowance for doubtful accounts	306,416	280,285
Allowance for employee future benefits	2,490,278	(228,815)
Prepaid expenses and inventories – supplies	(768,807)	1,843,806
Amortization of deferred investment grant	(14,188,326)	(50,469,744)
Amortization of tangible capital assets	15,231,938	18,148,578
Accretion expense	4,410,135	5,602,190
Gain on the disposition of tangible capital assets	(49,856)	
Net change in assets and liabilities	61,929,924	(29,441,318)
Cash flows from operating activities	59,673,435	37,133,015
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(61,377,737)	(36,303,648)
Proceeds on disposal of tangible capital assets	50,500	
Cash flows from investing activities	(61,327,237)	(36,303,648)
INVESTING ACTIVITIES		
Investments in fixed income and cash flows from investing activities	37,863	(31,786)
Net increase (decrease) in cash and cash equivalents	(1,615,939)	797,581
Cash and cash equivalents, beginning of year	4,949,949	4,152,368
Cash and cash equivalents, end of year	3,334,010	4,949,949
CASH AND CASH EQUIVALENTS		
Cash	3,320,040	4,935,691
Money market funds	13,970	14,258
	3,334,010	4,949,949

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

English Montreal School Board

Notes to Financial Statements

June 30, 2024

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The School Board was incorporated under decree 1014-97 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 of Quebec. 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

Revenue

During the year, the School Board applied the standards of Section 3400, Revenue, of the *CPA Canada Public Sector Accounting Handbook*. This section sets out the differentiated requirements regarding the recognition of revenue arising from transactions with performance obligations (exchange transactions) and revenue arising from transactions without performance obligations (non-exchange transactions) and the disclosures.

This section defines a performance obligation as an enforceable promise to provide specific goods or services to a specific payor. Revenue arising from an exchange transaction is recognized when (or as) the School Board satisfies its performance obligation by providing the promised goods or services to its payor.

Revenue arising from a non-exchange transaction is recognized when the School Board has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset.

For exchange transactions, the School Board must determine which goods or services (or which bundles of goods or services) are distinct and should be accounted for separately. Where the School Board determines that a transaction contains more than one performance obligation, it must allocate the transaction price. To do this, it would use the stand-alone selling price of each distinct good or service underlying each performance obligation where available. Otherwise, it would estimate an amount using the information available to perform such allocations.

In accordance with the transitional provisions, these requirements, applicable to financial statements for fiscal years beginning on or after April 1, 2023, have been applied using the retroactive method. The application of these new recommendations had no impact on the School Board's financial statements.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

2 - ACCOUNTING CHANGES (Continued)

Purchased intangibles

On April 1, 2023, the School Board applied the recommendations of Public Sector Guideline (PSG)-8, Purchased Intangibles, of the *CPA Canada Public Sector Accounting Handbook*. These recommendations apply to all identifiable non-monetary assets without physical substance acquired through an exchange transaction between knowledgeable and willing parties who are under no compulsion to act.

In accordance with this new accounting guideline, the School Board would recognize purchased intangibles as assets when they meet the definition of assets and the general recognition criteria for an asset provided it is probable that the future economic benefits that are attributable to the asset will flow to the School Board and the cost of the asset can be measured reliably. Purchased intangibles are initially measured at cost.

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after April 1, 2023, have been applied prospectively. Application of these new recommendations had no impact on the School Board's financial statements.

Asset retirement obligations

On July 1, 2023, the School Board modified certain methods used to recognize asset retirement obligations for tangible capital assets. The changes are as follows:

- Change in the method for estimating asbestos removal costs of some materials. Management considers that the method used overestimated costs when work was carried out on the removal of asbestos in plaster, roughcast and mortar;
- Costs estimated by construction phase rather than by building. Management believes that the new method used better reflects reality since the calculations, including actualization and inflation calculations, reflect the actual year a construction phase was completed, rather than the year of initial construction of the building;
- Other corrections such as adding buildings, components or materials omitted when first identifying contaminated assets, and correcting the percentage of contaminated assets in buildings.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

2 - ACCOUNTING CHANGES (Continued)

These changes were applied retroactively with a restatement of prior years which led to an increase (decrease) in the following financial statements items:

	Restated 2023 \$
Statement of operations	
Revenues	
Investment grants	(269,958)
Amortization of deferred investment grant	(182,109)
Expenses	
Tangible capital asset activities	(33,935)
Excess of revenues over expenses	(418,132)
Statement of accumulated surplus	
Balance, beginning of year	418,132
Balance, end of year	—
Statement of financial position	
Financial assets	
Investment grant receivable	(468,192)
Liabilities	
Deferred investment grant	(16,124)
Other liabilities	(468,192)
Net debt	16,124
Non-financial assets	
Tangible capital assets	(16,124)
Accumulated surplus	—
Statement of changes in net debt	
Balance, beginning of year	499,696
Excess of revenues over expenses	(418,132)
Tangible capital assets	(65,440)
Balance, end of year	16,124

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.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

Deferred investment grant

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.

Deferred 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.

Pension plans

Members of the School Board's staff participate in the Régime de retraite des employés du gouvernement et des organismes publics, the Régime de retraite des enseignants or the Régime de retraite du personnel d'encadrement. 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.

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 a liability for contaminated sites when the following criteria are met:

- The contamination exceeds environmental standards;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate cannot be made.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tangible capital assets 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 tangible capital assets. However, the contributions received for the acquisition of land are recognized in revenues in the year of acquisition.

If circumstances indicate that an item tangible capital assets 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 tangible capital assets is reduced to reflect the decline in value.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, that the eligibility criteria are met and that 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.

The 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 subsidies and school taxes, 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. Revenue is recognized when (or as) the School Board satisfies its performance obligations by providing the promised goods or services to its payor. Revenues are recognized up to the amount of the future economic benefits that the School Board expects to receive.

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 occurring with entities controlled by the Government of Quebec or subject to its shared control.

Assets received without consideration from a Government of Quebec reporting entity are recognized at the carrying amount. Services received at no cost are not recognized. Other inter-entity transactions are carried out at the exchange amount, that is, the amount of the consideration given for the item transferred or service provided as established and agreed to.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

4 - CASH FLOWS

	<u>2024</u>	Restated <u>2023</u>
	\$	\$
Interest paid during the year	258,760	126,918
Interest received during the year	566,978	476,261

5 - OPERATING GRANTS RECEIVABLE

	<u>2024</u>	Restated <u>2023</u>
	\$	\$
MEQ		
Youth, adult and vocational education	57,290,974	23,216,243
Debt service	(1,663)	(1,663)
Transportation	(243,712)	711,795
Contaminated sites	92,175	88,052
Other grants	79,424	74,622
	<u>57,217,198</u>	<u>24,089,049</u>

6 - INVESTMENT GRANT RECEIVABLE

	<u>2024</u>	Restated <u>2023</u>
	\$	\$
Investment grant receivable (budgetary rules)	<u>427,630,086</u>	<u>450,297,629</u>

7 - ACCOUNTS RECEIVABLE

	<u>2024</u>	Restated <u>2023</u>
	\$	\$
Accounts receivable – CGTSIM	71,419,348	74,032,353
Accounts receivable – other	5,953,745	4,749,411
Sabbatical leave receivable		25,166
Commodity taxes receivable	1,539,730	1,475,341
	<u>78,912,823</u>	80,282,271
Allowance for doubtful accounts	(715,572)	(658,140)
	<u>78,197,251</u>	<u>79,624,131</u>

English Montreal School Board

Notes to Financial Statements

June 30, 2024

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 2.667% and 4.91% (between 2.3% and 5.04% as at June 30, 2023).

10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	Restated 2023
	\$	\$
Trade accounts payable and accrued liabilities	14,642,976	10,947,988
Salaries and benefits payable	31,240,623	30,019,274
Sabbatical leave payable	2,093,646	2,352,860
Holdbacks on contracts and accounts payable – tangible capital assets	15,546,759	10,040,180
	<u>63,524,004</u>	<u>53,360,302</u>

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.

	2024	Restated 2023
	\$	\$
Vacation	9,953,043	8,246,419
Other sick leave	922,773	847,331
Salary insurance	166,703	137,427
Other social benefits	239,687	202,476
Sick leave convertible into cash – teachers	4,942,276	4,736,868
Employer contributions payable	3,016,021	2,579,704
	<u>19,240,503</u>	<u>16,750,225</u>

English Montreal School Board

Notes to Financial Statements

June 30, 2024

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.

	2024	Restated 2023
	\$	\$
Balance, beginning of year	100,304,616	108,770,231
Accounting change		(499,696)
Accretion of discounted cash flows	4,410,135	5,602,190
Review of estimates	(11,030,089)	(13,568,109)
Balance, end of year	<u>93,684,662</u>	<u>100,304,616</u>

Main assumptions used

The removal of asbestos from buildings with an unknown timetable accounts for 98% of the total liability for asset retirement obligations. The main assumptions used for this obligation are as follows:

	Asbestos removal
Discount rate, including inflation	4.15 to 4.98%
Discount period ¹	From 0 year to 46 years
Inflation rate	2.50 to 2.57%

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, 2024, and included in the measurement of the liability, amount to \$128,827,298 (\$128,006,230 as at June 30, 2023).

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Notes to Financial Statements

June 30, 2024

14 - DEFERRED INVESTMENT GRANT

	2024	Restated 2023
	\$	\$
Balance, beginning of year	314,777,841	290,470,332
Amounts recognized as deferred contributions	56,015,379	74,975,487
Contributions recognized as revenues for the year	<u>(14,188,326)</u>	<u>(50,667,978)</u>
Balance, end of year	<u>356,604,894</u>	<u>314,777,841</u>

15 - SCHOOL BOARD'S SHARE OF 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 bank loan and the long-term debt subject to a pledge of grant is confirmed by the CGTSIM.

16 - OTHER LIABILITIES

	2024	Restated 2023
	\$	\$
Asset retirement obligations	93,684,662	100,304,616
CNESST	1,159,533	871,157
Other	15,230,011	3,217,412
Accrual for retroactive wages and lump-sum amounts	<u>24,340,934</u>	<u>2,534,394</u>
	<u>134,415,140</u>	<u>106,927,579</u>

17 - TANGIBLE CAPITAL ASSETS

	2024		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land development			
Land	17,313,583		17,313,583
Land development	27,969,455	7,422,877	20,546,578
Buildings			
Buildings	258,976,863	206,316,901	52,659,962
Asset retirement obligations	28,123,523	32,302,630	(4,179,107)
Major building improvements	351,135,379	57,362,358	293,773,021
Materials and equipment	30,172,331	19,550,397	10,621,934
Specialized pedagogical teaching equipment	16,459,125	6,210,817	10,248,308
Computer development	<u>1,633,671</u>	<u>934,670</u>	<u>699,001</u>
	<u>731,783,930</u>	<u>330,100,650</u>	<u>401,683,280</u>

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Notes to Financial Statements

June 30, 2024

17 - TANGIBLE CAPITAL ASSETS (Continued)

			Restated 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	39,153,611	34,455,244	4,698,367
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>681,554,302</u>	<u>320,492,667</u>	<u>361,061,635</u>

Tangible capital assets include the following:

- Tangible capital assets under construction or development for an amount of \$73,078,583 (\$33,151,233 as at June 30, 2023), of which \$68,217,764 are for major improvements (\$30,273,114 as at June 30, 2023) and \$4,860,819 for land development (\$2,878,119 as at June 30, 2023). These tangible capital assets are not amortized. As at June 30, 2024, accounts payable and accrued liabilities include \$15,546,759 related to the acquisition of tangible capital assets (\$10,040,180 as at June 30, 2023).

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's 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. The School Board does not consider the credit risk for various grants receivable from different levels of government to be significant. To reduce its credit risk, the School Board regularly analyzes the balance of its accounts receivable, excluding amounts due from different levels of government, and reserves an allowance for doubtful accounts, as necessary, based on their estimated realizable value.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

18 - RISK MANAGEMENT AND FINANCIAL RISKS (Continued)

The carrying amount of the School Board's main financial assets represents the maximum amount exposed to credit risk.

The aging of financial assets, net of the allowance for doubtful accounts, as at June 30 is detailed as follows:

	2024	Restated 2023
	\$	\$
Financial assets past due		
Less than 30 days	2,740,798	994,895
From 30 to less than 60 days	2,014	122,237
From 60 to less than 90 days	370,203	724,703
From 90 days to less than 12 months	1,206,752	2,213,284
12 months and over	1,647,515	658,572
Sous-total	5,967,282	4,713,691
Less: allowance for doubtful accounts	(715,572)	(658,572)
Total	5,251,710	4,055,119

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

	2024	Restated 2023
	\$	\$
Balance, beginning of year	658,572	963,572
Impairment loss recognized in the statement of operations	221,000	295,000
Amounts written off	164,000	600,000
Balance, end of year	715,572	658,572

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 variable interest rate financial instruments expose it to a cash flow risk.

Fixed-interest rate financial instruments are long-term debt.

Variable-interest rate financial instruments are bank loans.

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, 2023) would not have a significant impact on operating surplus for the year.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

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, including any interest payments) are as follows:

	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
	\$	\$	\$	\$
Allowance for employee benefits	9,953,043		1,162,459	4,942,276
Accounts payable and accrued	45,360,015			
Other liabilities	21,803,704			
Total	77,116,762	—	1,162,459	4,942,276

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

The School Board signed contracts for \$74,217,912 for construction, renovation and land improvements to be completed during 2024-2025.

The School Board is bound by non-renewable and non-cancelable rental contracts for photocopiers, equipment, IT services and rental of premises representing commitments of \$45,918,195 as follows for the next five years:

	\$
2025	19,007,402
2026	11,888,195
2027	3,982,642
2028	3,410,379
2029	2,022,514

The School Board signed school transportation contracts for an amount of \$47,308,424, representing an annual amount of \$11,827,106 for the next four years.

English Montreal School Board

Notes to Financial Statements

June 30, 2024

19 - CONTRACTUAL OBLIGATIONS AND RIGHTS (Continued)

In accordance with the various collective agreements, the School Board is committed to providing professional development and other activities for an amount of \$11,377,404.

Contractual rights

The School Board has concluded leases of premises, due at different dates until 2028, which provide for the collection of rent totalling \$1,874,880 as follows over the next four years:

	\$
2025	1,146,106
2026	346,986
2027	357,700
2028	24,088

20 - CONTINGENCIES

As at June 30, 2024, outstanding claims against the School Board amount to \$1,721,615 (\$1,268,050 as at June 30, 2023) 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 (\$243,501 in 2023) 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 presented separately in the financial statements.

English Montreal School Board

Supplementary Information

Year ended June 30, 2024

(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.

	2024	Restated 2023
	\$	\$
<i>ACCUMULATED SURPLUS (DEFICIT)</i>		
Balance, beginning of year and as previously reported	79,240,211	(12,575,954)
Accounting changes		418,132
Balance, as restated	79,240,211	(12,157,822)
 Total revenues	435,252,903	409,908,550
Total expenses	444,941,170	407,689,987
Investment grant for previous years' asset retirement obligations		89,179,470
Excess (deficiency) of revenues over expenses	(9,688,267)	91,398,033
Balance, end of year	69,551,944	79,240,211
 Accumulated surplus		
Land	17,313,583	17,314,227
School Board	38,371,663	50,525,540
Gain on disposal of tangible capital assets	7,578,537	7,528,681
Schools and centres	6,288,161	3,871,763
Balance, end of year	69,551,944	79,240,211
 Excess (deficiency) of revenues over expenses		
School Board	(12,104,665)	89,458,025
Schools and centres	2,416,398	1,940,008
Excess (deficiency) of revenues over expenses	(9,688,267)	91,398,033