

Financial Statements of

CHEO SCHOOL AUTHORITY

Year ended August 31, 2023

CHEO SCHOOL AUTHORITY

Financial Statements

Year ended August 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the CHEO School Authority (the "School Authority") are the responsibility of the School Authority's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The School Authority management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The School Authority meets with management and communicates with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the School Authority. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the School Authority's financial statements.



Benoit Laberge, Chairperson

February 6, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the CHEO School Authority

Opinion

We have audited the financial statements of the CHEO School Authority (the "Entity"), which comprise:

- the statement of financial position as at August 31, 2023
- the statement of operations and accumulated deficit for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at August 31, 2023, and its results of operations, its changes in accumulated deficit, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.



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- 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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

February 6, 2024

CHEO SCHOOL AUTHORITY

Statement of Financial Position


August 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Financial assets:		
Cash	\$ 502,146	\$ 449,729
HST recoverable	2,267	1,719
Total financial assets	504,413	451,448
Liabilities:		
Accounts payable and accrued liabilities	530,466	298,322
Payable to the Ontario Ministry of Education	80,759	148,808
Deferred contributions (note 3)	10,381	10,381
Total financial liabilities	621,606	457,511
Net debt	(117,193)	(6,063)
Non-financial assets:		
Capital assets (note 4)	1,552	2,327
Accumulated deficit	\$ (115,641)	\$ (3,736)

Economic dependence (note 9)

See accompanying notes to financial statements.

Approved by the Authority:


Chairperson

CHEO SCHOOL AUTHORITY

Statement of Operations and Changes in Accumulated Deficit

Year ended August 31, 2023, with comparative information for 2022

	Budget (unaudited) (note 7)	2023	2022
Revenue:			
Ministry of Education funding			
School board operating grants	\$ 2,981,295	\$ 2,981,295	\$ 2,709,000
In-kind provincial grants - other	–	–	38,747
	2,981,295	2,981,295	2,747,747
Expenses:			
Instruction:			
Salaries and wages	1,806,302	1,990,359	1,717,553
Employee benefits	269,239	300,279	226,796
Staff development	19,624	14,480	6,599
Supplies and services	101,418	118,709	139,175
Other	123,629	79,756	42,584
Administration:			
Salaries and wages	104,176	104,176	104,176
Employee benefits	24,823	24,823	24,823
Staff development	3,726	2,089	2,089
Supplies and services	95,366	95,366	95,366
Fees and contractual services	82,128	28,626	30,603
Other	5,433	8,100	4,976
Transportation	140,000	108,306	142,373
Pupil accommodation:			
Operations and maintenance	111,180	111,180	111,180
Other	63,000	96,455	60,707
Fees and contractual services	–	7,442	–
Other	32,088	2,279	38,747
Amortization of capital assets	775	775	775
	2,982,907	3,093,200	2,748,522
Annual deficit	(1,612)	(111,905)	(775)
Accumulated deficit, beginning of year	(3,736)	(3,736)	(2,961)
Accumulated deficit, end of year	\$ (5,348)	\$ (115,641)	\$ (3,736)

See accompanying notes to financial statements.

CHEO SCHOOL AUTHORITY

Statement of Change in Net Debt

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Annual deficit	\$ (111,905)	\$ (775)
Capital assets:		
Amortization of capital assets	775	775
Increase in net debt	(111,130)	-
Net debt, beginning of year	(6,063)	(6,063)
Net debt, end of year	\$ (117,193)	\$ (6,063)

See accompanying notes to financial statements.

CHEO SCHOOL AUTHORITY

Statement of Cash Flows

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net annual deficit	\$ (111,905)	\$ (775)
Item not affecting cash:		
Amortization of capital assets	3,363	3,363
Amortization of deferred grants	(2,588)	(2,588)
Change in non-cash operating working capital:		
HST recoverable	(548)	5,168
Prepaid expenses	—	4,674
Accounts payable and accrued liabilities	232,144	97,641
Payable to the Ontario Ministry of Education	(68,049)	74,763
Increase in cash	52,417	182,246
Cash, beginning of year	449,729	267,483
Cash, end of year	\$ 502,146	\$ 449,729

See accompanying notes to financial statements.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements

Year ended August 31, 2023

1. Reporting entity:

CHEO School Authority (the "School Authority") was established as a hospital board under Section 68 of the Education Act. The School Authority is located within the Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre ("CHEO") and delivers school programming, funded by the Ministry of Education of Ontario, to students with complex medical needs. These financial statements reflect the assets, liabilities, revenues and expenditures of the School Authority and not of CHEO as a whole.

2. Significant accounting policies:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards and include the following significant accounting policies.

(a) Basis of presentation:

Revenue and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(b) Tangible capital assets:

Tangible capital assets are recorded on the statement of financial position at acquisition cost.

Amortization is provided on a straight-line basis over the estimated useful life of the assets. Computer equipment is amortized over a 5-year straight-line basis. As per Ontario Ministry of Education guidelines, special education equipment is not considered a capital asset as the equipment is purchased on behalf of specific students. Funding received specifically for acquisition of capital assets is deferred and amortized using the same basis as the respective asset.

(c) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(d) Government transfers:

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

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Notes to Financial Statements (continued)

Year ended August 31, 2023

2. Significant accounting policies (continued):

(e) Contributions-in-kind:

The School Authority records significant contributions-in-kind at fair value when it can be easily determined.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

(g) Adoption of new accounting standards:

The School Authority adopted PS 1201 Financial Statement Presentation beginning September 1, 2022. PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations.

3. Deferred contributions:

	Unexpended balance, beginning of year	Funding received in year	Expended in year	Unexpended balance, end of year
CODE Special Education Project	\$ 1,234	\$ –	\$ –	\$ 1,234
Various restricted Foundation donations	9,147	–	–	9,147
	<u>\$ 10,381</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 10,381</u>

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2023

4. Capital assets:

Capital assets consist of:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 7,754	\$ 6,202	\$ 1,552	\$ 2,327

Cost and accumulated amortization at August 31, 2022 amounted to \$7,754 and \$5,427, respectively.

5. Healthcare Insurance Reciprocal of Canada (HIROC):

The School Authority is insured under the CHEO's membership with the Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act.

HIROC insures general public liability, property damage and certain other risks.

6. Employee future benefits:

The School Authority purchases the services of the principal, teachers and teaching support staff from local boards of education. The services of the administrative and technical employees are provided to the School Authority by CHEO as budgeted. Any employee future benefit obligations related to these employees are the responsibility of the respective board and CHEO and therefore no liability has been reflected in the financial statements of the School Authority.

7. Budget figures:

The budget figures have been provided for comparison purposes and have been derived from the budget approved by the School Authority. The budget approved by the School Authority is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, budgeted figures have been adjusted where necessary to conform to the basis of accounting used to prepare the financial statements.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2023

8. Financial instruments:

(a) Credit risk:

The School Authority is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the organization could incur a financial loss.

The maximum exposures of the School Authority to credit risk are only to the extent of the carrying value of its cash and amounts receivable.

Credit risk associated with cash is minimized substantially by ensuring that these assets are held with Canadian chartered banks.

Management believes concentration of credit risk with respect to amounts receivable is limited due to credit quality of the parties extended credit.

(b) Liquidity risk:

Liquidity risk is the risk that the School Authority will not be able to meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes risk of the organization not being able to liquidate assets in a timely manner at a reasonable price.

The School Authority meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

(i) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The School Authority does not hold any investments or issue long-term debt and therefore is not exposed to significant interest rate risk.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2023

8. Financial instruments (continued):

(c) Market risk (continued):

(ii) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in the value of the Canadian dollar with respect to other currencies.

The School Authority transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

(iii) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The School Authority is not exposed to other price risk.

9. Economic dependence:

The majority of the School Authority's programs are financed by contributions from the provincial government. In the event that support from the government is no longer extended, the School Authority would have to obtain alternate funding or decrease its services. In fiscal 2023, the School Authority incurred a deficit due to the accrued retroactive pay resulting from Bill 124. The Ministry of Health has not yet confirmed whether they are funding the retroactive pay as of the date of this report.

10. Change in accounting policy:

On September 1, 2022, the School Authority adopted a change in accounting policy to no longer report under Section 4200 accounting standards for government not for profit organizations in order for the presentation of the financial statements to be in line with the Ministry of Education of Ontario guidelines.