

Financial Statements of

CHEO SCHOOL AUTHORITY

Year ended August 31, 2020

CHEO SCHOOL AUTHORITY

Financial Statements

Year ended August 31, 2020

Page

Management's Responsibility for the Financial Statements

Independent Auditors' Report

Financial Statements

Statement of Financial Position	1
Statement of Operations and Changes in Accumulated Deficit.....	2
Statement of Cash Flows	3
Notes to Financial Statements	4

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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School Authority's financial statements.



Benoit Laberge, Chairperson



Steve Read, Treasurer

December 17, 2020



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' 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, 2020
- the statement of operations and changes in accumulated deficit 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, 2020, and its results of operations, changes in accumulated deficit 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

Auditors' 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 auditors' 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.



Page 3

- 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.
- 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 auditors' 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 auditors' 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 arrowhead pointing to the right.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

December 17, 2020

CHEO SCHOOL AUTHORITY

Statement of Financial Position

August 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 305,054	\$ 353,175
Due from the Ontario Ministry of Education	300	1,845
HST recoverable	2,418	3,804
	<u>307,772</u>	<u>358,824</u>
Capital assets (note 3)	3,877	4,652
	<u>\$ 311,649</u>	<u>\$ 363,476</u>

Liabilities and Accumulated Deficit

Current liabilities:		
Accounts payable and accrued liabilities	\$ 195,639	\$ 199,295
Payable to the Ontario Ministry of Education	107,815	155,211
Deferred contributions (note 4)	10,381	10,381
	<u>313,835</u>	<u>364,887</u>
Accumulated deficit	(2,186)	(1,411)
	<u>\$ 311,649</u>	<u>\$ 363,476</u>

See accompanying notes to financial statements.

Approved by the Authority:



Chairperson



Treasurer

CHEO SCHOOL AUTHORITY

Statement of Operations and Changes in Accumulated Deficit

Year ended August 31, 2020, with comparative information for 2019

	Budget (note 7)	2020	2019
Revenue:			
School board operating grants	\$ 2,273,068	\$ 2,171,250	\$ 2,089,233
Education programs - other	–	2,000	6,150
Other revenues	–	–	2,674
	<u>2,273,068</u>	<u>2,173,250</u>	<u>2,098,057</u>
Expenses:			
Classroom:			
Salaries and wages	1,061,862	951,748	991,237
Employee benefits	154,453	141,635	132,459
Staff development	5,200	397	2,852
Supplies and services	88,316	72,294	75,236
Other	50,000	58,352	50,549
Non-classroom:			
Salaries and wages	487,942	521,726	443,385
Employee benefits	52,101	55,979	41,449
Staff development	4,000	–	1,389
Supplies and services	12,830	16,379	4,761
Administration:			
Salaries and wages	104,176	104,176	104,176
Employee benefits	24,823	24,823	24,823
Staff development	3,589	2,089	2,089
Supplies and services	95,366	95,366	95,366
Fees and contractual services	12,128	12,128	12,128
Other	5,102	4,978	4,978
Pupil accommodation:			
Supplies and services	111,180	111,180	111,180
Amortization of capital assets	–	775	775
	<u>2,273,068</u>	<u>2,174,025</u>	<u>2,098,832</u>
Net deficit	–	(775)	(775)
Accumulated deficit, beginning of year	(1,411)	(1,411)	(636)
Accumulated deficit, end of year	<u>\$ (1,411)</u>	<u>\$ (2,186)</u>	<u>\$ (1,411)</u>

See accompanying notes to financial statements.

CHEO SCHOOL AUTHORITY

Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net annual deficit	\$ (775)	\$ (775)
Item not affecting cash:		
Amortization of capital assets	775	775
Change in non-cash operating working capital:		
Due from the Ontario Ministry of Education	1,545	(1,845)
HST recoverable	1,386	(3,597)
Prepaid expenses	–	110
Accounts payable and accrued liabilities	(3,656)	(1,787)
Due from Ontario Ministry of Education	(47,396)	133,587
Deferred contributions	–	(2,582)
Increase (decrease) in cash	(48,121)	123,886
Cash, beginning of year	353,175	229,289
Cash, end of year	\$ 305,054	\$ 353,175

See accompanying notes to financial statements.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements

Year ended August 31, 2020

1. Reporting entity:

The CHEO School Authority (the “School Authority”) is responsible for delivering the services of the school program for the Children’s Hospital of Eastern Ontario - Ottawa Children’s Treatment Centre (“CHEO”). 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 including the Section 4200 accounting standards for government not-for-profit organizations 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.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2020

2. Significant accounting policies (continued):

(e) 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.

3. Capital assets:

Capital assets consist of:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 7,754	\$ 3,877	\$ 3,877	\$ 4,652

4. 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
	\$ 10,381	\$ –	\$ –	\$ 10,381

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.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2020

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, have been adjusted where necessary to conform to the basis of accounting used to prepare the financial statements.

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.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2020

8. Financial instruments (continued):

(b) Liquidity risk (continued):

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.

(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. Impact of COVID-19:

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

CHEO SCHOOL AUTHORITY

Notes to Financial Statements (continued)

Year ended August 31, 2020

9. Impact of COVID-19 (continued):

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as the priority for the School Authority. With direction from the Province and Municipal Health Authorities, meetings were shifted from face-to-face to digital methods, enhanced infection prevention and control measures were implemented, and eventually the school year was cut short to limit the spread of COVID-19.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impact and there are no additional adjustments required to the financial statements at this time.