

KIDSABILITY SCHOOL AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

KIDSABILITY SCHOOL AUTHORITY
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YEAR ENDED AUGUST 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of: KidsAbility School Authority

Opinion

We have audited the accompanying financial statements of KidsAbility School Authority, which comprise the statement of financial position as at August 31, 2020 and the statements of operations and changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of KidsAbility School Authority as at August 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis of 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 report. We are independent of KidsAbility School Authority 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 authority's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the authority'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 judgement 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 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 authority'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 authority'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 authority 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.



Kitchener, Ontario
December 2, 2020

Chartered Professional Accountants
Licensed Public Accountants

KIDSABILITY SCHOOL AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 400,408	\$ 183,999
Accounts receivable	32,433	44,239
Receivable from the Ministry of Education for 2019-2020	207,224	0
Recovery from Ministry of Education (note 3)	<u>0</u>	<u>139,620</u>
	<u>640,065</u>	<u>367,858</u>
LIABILITIES		
Accounts payable and accrued liabilities	35,255	24,964
Employee benefits payable (note 9)	16,197	16,197
Repayable to Ministry of Education (note 4)	498,851	262,125
Deferred revenue (note 8)	<u>105,934</u>	<u>80,744</u>
	<u>656,237</u>	<u>384,030</u>
ACCUMULATED DEFICIT	<u><u>\$ (16,172)</u></u>	<u><u>\$ (16,172)</u></u>

KIDSABILITY SCHOOL AUTHORITY
STATEMENT OF OPERATIONS AND CHANGES IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2020

	2020 Budget (note 10)	2020 Actual	2019 Actual
REVENUES			
Provincial grants - Grants for Student Needs	\$ 3,453,733	\$ 3,201,254	\$ 3,127,484
Provincial grants - Other	<u>0</u>	<u>700</u>	<u>24,415</u>
	<u>3,453,733</u>	<u>3,201,954</u>	<u>3,151,899</u>
EXPENDITURES			
Instruction	2,038,506	1,973,469	1,863,871
Administration	163,152	154,346	158,966
Transportation	946,775	777,744	814,815
Pupil accommodation	295,000	294,912	280,854
Other	<u>10,300</u>	<u>1,483</u>	<u>33,393</u>
	<u>3,453,733</u>	<u>3,201,954</u>	<u>3,151,899</u>
ANNUAL SURPLUS for the year	0	0	0
NET DEBT, beginning of year	<u>(16,172)</u>	<u>(16,172)</u>	<u>(16,172)</u>
NET DEBT, end of year	<u><u>\$ (16,172)</u></u>	<u><u>\$ (16,172)</u></u>	<u><u>\$ (16,172)</u></u>

KIDSABILITY SCHOOL AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus for the year	\$ 0	\$ 0
Changes in non-cash working capital		
Accounts receivable	11,806	(1,204)
Recovery from Ministry of Education	139,620	0
Repayable to Ministry of Education	236,726	246,372
Receivable from the Ministry of Education	(207,224)	0
Accounts payable and accrued liabilities	10,291	(108,216)
Deferred revenue	<u>25,190</u>	<u>(46,998)</u>
NET INCREASE IN CASH	216,409	89,954
NET CASH, BEGINNING OF YEAR	<u>183,999</u>	<u>94,045</u>
NET CASH, END OF YEAR	<u>\$ 400,408</u>	<u>\$ 183,999</u>

KIDSABILITY SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) **ACKNOWLEDGEMENT OF RESPONSIBILITY**

The management of KidsAbility School Authority acknowledges its responsibility for the financial statements, and the creation and compilation of the following significant accounting policy decisions and the related policy notes.

(b) **REPORTING ENTITY**

These financial statements reflect the assets, liabilities, revenues, expenditures and net debt of the reporting entity. The reporting entity is solely comprised of the authority, which is accountable for the administration of the financial affairs and resources of the entity and is controlled by the members.

(c) **BASIS OF ACCOUNTING**

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

(d) **CASH AND CASH EQUIVALENTS**

The authority's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(e) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) **RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS**

The authority provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, and health care benefits, dental benefits, retirement gratuity, worker's compensation and long term disability benefits.

In 2013, the Ministry of Education published a memo outlining the accounting policies for all school authorities to use going forward. This memo precluded all school authorities from requiring an actuarial report for the valuation of these benefits. It further provided an option for school authorities to not record a liability for the sick leave plan due to its likely immaterial nature.

Therefore, the only remaining liability for the employee future benefits represents the known amount required to be paid to one active teacher upon retirement, as required by the plan changes made in 2012.

KIDSABILITY SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) GOVERNMENT TRANSFERS

Government transfers, which include legislative grants received from the Province of Ontario, 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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

(h) LEGISLATIVE GRANTS

The legislative grants calculations are prepared annually by the authority and submitted to the Ministry of Education for final approval. Adjustments, if any, are recorded in the year in which adjustments are made.

(i) 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 in revenue in the fiscal year the related expenditures are incurred or services performed.

(j) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations or individuals may donate materials to the authority and a number of volunteers may contribute their time. Because of the difficulty in determining the fair value, contributed materials and services are not recorded in the financial statements.

2. UNUSED CREDIT FACILITIES

The authority has utilized \$0 (2019 - \$0) of an authorized operating line of credit with a limit up to a maximum of \$200,000. The line of credit bears interest at prime. No conditions regarding this loan have been breached at year end and no accrued interest relating to this loan is owing.

3. RECOVERY FROM MINISTRY OF EDUCATION

The recovery from Ministry of Education (MOE) includes amounts clawed back by the MOE in excess of the annual operating surplus payable to the MOE for each fiscal year as follows:

	2020	2019
Recovery of excess clawback for 2012-13	\$ 0	\$ 25,181
Recovery of excess clawback for 2013-14	0	14,988
Recovery of excess clawback for 2014-15	0	22,457
Recovery of excess clawback for 2015-16	0	38,742
Recovery of excess clawback for 2016-17	<u>0</u>	<u>38,252</u>
	<u>\$ 0</u>	<u>\$ 139,620</u>

KIDSABILITY SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

4. REPAYABLE TO MINISTRY OF EDUCATION

The repayable to Ministry of Education (MOE) is comprised of the annual operating surplus repayable and the unexpended non-operating grants payable as follows:

	2020	2019
Annual surplus repayable		
Annual operating surplus payable to MOE for 2017-18	\$ 0	\$ 15,753
Annual operating surplus payable to MOE for 2018-19	212,907	212,907
Annual operating surplus payable to MOE for 2019-20	<u>252,479</u>	<u>0</u>
	<u>465,386</u>	<u>228,660</u>
Unexpended non-operating grants repayable		
Unexpended non-operating grants 2007-08	19,359	19,359
Unexpended non-operating grants 2013-14	6,397	6,397
Unexpended non-operating grants 2017-18	5,559	5,559
Unexpended non-operating grants 2018-19	<u>2,150</u>	<u>2,150</u>
	<u>33,465</u>	<u>33,465</u>
	<u>\$ 498,851</u>	<u>\$ 262,125</u>

Subsequent to the year end, the annual operating surplus payable to MOE for 2018-19 was settled by MOE in September 2020.

5. COMMITMENTS

The authority annually enters into a service agreement with the KidsAbility Centre for Child Development (the "Centre") for the use of the Centre's space and services. The service agreement applicable to next fiscal year was effective as of September 1, 2020 and the cost associated with this agreement has been included below. Additionally, during the prior fiscal year, the authority entered into an agreement with the Centre whereby the authority agreed to pay for leasehold improvements to the Cambridge school locations over a period of 10 years.

2021	\$ 291,712
2022	11,100
2023	11,100
2024	11,100
2025	11,100
Thereafter	<u>22,200</u>
	<u>\$ 358,312</u>

6. PENSION AND BENEFIT COSTS

The authority's financial schedules do not show employer's contributions to the Teacher's Pension Plan because the funding for such is provided directly by the Provincial Government.

Benefit costs for non-union employee future benefit plans in the year totalled \$99,304 (2019 - \$71,274).

Effective January 2018, the authority began contributing to the Ontario Municipal Employees Retirement System (OMERS) for non-union employees. Total contributions in the year totalled \$20,361 (2019 - \$32,595).

KIDSABILITY SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

6. PENSION AND BENEFIT COSTS (continued)

The most recent actuarial valuation of the OMERS plan was conducted at December 31, 2019. The results of this valuation disclosed total going concern actuarial liabilities of \$108 billion (2018 - \$100 billion) in respect of benefits accrued for service with actuarial assets at that date of \$104 billion (2018 - \$96 billion) indicating a going concern actuarial deficit of \$3.4 billion (2018 - \$4.2 billion). Ongoing adequacy of the Plan's contribution rates will need to be monitored to ensure that future contributions, together with the Plan assets and future investment earnings thereon, will be sufficient to provide for its future benefits. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees.

7. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE

The authority is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

8. DEFERRED REVENUE

Deferred revenue, which consists of the unexpended portion of special purpose grant and project funding from the government, is as follows:

	2020	2019
Balance, beginning of the year	\$ 80,744	\$ 127,742
Plus funding received during the year	38,352	11,957
Less expenditures incurred during the year	0	(24,415)
Less unexpended non-operating grants from prior years payable	0	(34,540)
Less unexpended non-operating grants returned to Ministry	<u>(13,162)</u>	<u>0</u>
Balance, end of year	<u>\$ 105,934</u>	<u>\$ 80,744</u>
Deferred revenue is comprised of:		
Unexpended non-operating grants from 2008-09	\$ 0	\$ 13,162
Funds retained on settlement from MOE for 2011-12	67,582	67,582
Funds recovered on settlement from MOE for 2011-12	37,602	0
Unexpended EPO funding for 2018-19	<u>750</u>	<u>0</u>
	<u>\$ 105,934</u>	<u>\$ 80,744</u>

9. EMPLOYEE BENEFITS PAYABLE

The authority pays a retirement gratuity to members of full time staff who have been employed by the authority for at least ten years and retire on a pension. The entitlements vest only upon retirement. The remaining liability of \$16,197 (2019 - \$16,197) relates to payments required under this section of the plan.

The accumulated deficit consists of employee benefits payable that were previously categorized as future amounts to be recovered.

10. BUDGET FIGURES

The budget figures represent the budget amounts approved by the authority and submitted to the Ministry of Education.

KIDSABILITY SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

11. MATERIAL UNCERTAINTY DUE TO COVID-19

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) significantly impacted the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the authority's assets and its future ability to deliver all services.