

Financial Statements of

**STUDENT
TRANSPORTATION OF
EASTERN ONTARIO**

And Independent Auditors' Report thereon

Year ended August 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Management Committee of Student Transportation of Eastern Ontario

Opinion

We have audited the financial statements of Student Transportation of Eastern Ontario (the "Entity"), which comprise:

- the statement of financial position as at August, 31, 2021
- the statement of operations and accumulated surplus 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, 2021, and its results of operations, its changes 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 "***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 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 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.



- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

October 13, 2021

STUDENT TRANSPORTATION OF EASTERN ONTARIO


Statement of Financial Position

August 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 3,262,462	\$ 271,293
Amounts receivable	24,128	31,767
	<u>3,286,590</u>	<u>303,060</u>
Liabilities:		
Accounts payable and accrued liabilities	182,781	189,398
Deferred capital contributions	37,840	92,855
Due to related parties (note 3)	3,141,427	129,050
	<u>3,362,048</u>	<u>411,303</u>
Net debt	(75,458)	(108,243)
Non-financial assets:		
Tangible capital assets (note 4)	37,840	92,855
Prepaid expenses	37,618	15,388
	<u>75,458</u>	<u>108,243</u>
Economic dependence (note 2)		
Impact of Coronavirus COVID-19 (note 7)		
Accumulated surplus	\$ -	\$ -

See accompanying notes to financial statements.

On behalf of the Board:


Director



Director

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Operations and Accumulated Surplus

Year ended August 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Recoveries	\$ 48,057,161	\$ 46,719,475	\$ 45,263,360
Amortization of deferred capital contributions	55,015	55,015	88,561
Other	30,000	10,580	49,208
Total revenues	48,142,176	46,785,070	45,401,129
Expenses:			
Transportation services	44,860,360	44,032,831	42,442,593
Safety and training	518,365	390,675	498,805
Public transit	39,000	2,093	11,611
Salaries and benefits	1,695,247	1,618,054	1,604,145
Professional fees	305,910	217,513	235,014
Professional development	50,000	7,178	18,330
Communication	135,180	95,556	95,894
Insurance	13,000	12,204	12,226
Supplies and services	470,099	353,951	393,950
Amortization of tangible capital assets	55,015	55,015	88,561
Total expenses	48,142,176	46,785,070	45,401,129
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Change in Net Debt

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ -	\$ -
Amortization of tangible capital assets	55,015	88,561
Other non-financial asset activity: Acquisition of prepaid expenses	(22,230)	(1,060)
Change in net debt	32,785	87,501
Net debt, beginning of year	(108,243)	(195,744)
Net debt, end of year	\$ (75,458)	\$ (108,243)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ -	\$ -
Items not involving cash:		
Amortization of tangible capital assets	55,015	88,561
Amortization of deferred capital contributions	(55,015)	(88,561)
Change in non-cash operating working capital:		
Amounts receivable	7,639	53,806
Accounts payable and accrued liabilities	(6,617)	35,460
Due to related parties	3,012,377	(3,471,966)
Prepaid expenses	(22,230)	(1,060)
Increase (decrease) in cash	2,991,169	(3,383,760)
Cash beginning of year	271,293	3,655,053
Cash, end of year	\$ 3,262,462	\$ 271,293
Cash consists of:		
Cash on deposit:	\$ 3,262,462	\$ 271,293

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements

Year ended August 31, 2021

Student Transportation of Eastern Ontario ("STEO") was created to provide transportation services for students of the Upper Canada District School Board ("UCDSB") and the Catholic District School Board of Eastern Ontario ("CDSBEO").

Student Transportation of Eastern Ontario was incorporated on October 25, 2011 and commenced operations on February 1, 2012 under the Corporations Act of Ontario as a non-profit corporation without share capital and is exempt from income taxes.

1. Significant accounting policies:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

Revenues and expenditures are reported on an 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.

(b) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction.

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Estimated useful life
Computer software	5 years
Computer hardware	5 years
Furniture	10 years
Equipment	10 years

(c) 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.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(c) Government transfers (continued):

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record its financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and accumulated surplus.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and accumulated surplus.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

A statement of remeasurement gains and losses was not included as there were no items to disclose.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(e) Budget figures:

Budget figures have been provided for comparison purposes and have been approved by the Board of STEO. Budget figures were approved on March 12, 2020. The figures have been reported for the purposes of these statements to comply with public sector accounting standards. Budget figures are excluded from the statement of change in net debt as these amounts are not included in management's budgeted figures.

(f) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Economic dependence:

STEO operations consist exclusively of supplying services to CDSBEO and UCDSB. STEO is economically dependent on these boards for its revenues.

3. Related party transactions:

(a) Recoveries:

The UCDSB and CDSBEO provide the revenues required to fund STEO's expenses on the basis of approximately 65% from UCDSB and approximately 35% from CDSBEO.

(b) Due from/to related parties:

Related party amounts consist of \$47,214 due to CDSBEO (2020 - \$69,769) and \$3,094,213 due to UCDSB (2020 - \$59,281).

Amounts due from/to related parties are non-interest bearing and are expected to be repaid within the next fiscal year.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements (continued)

Year ended August 31, 2021

4. Tangible capital assets:

			2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value		
Computer software	\$ 303,323	\$ 302,777	\$ 546	\$ 31,425		
Computer hardware	28,380	26,568	1,812	6,422		
Furniture	72,112	67,043	5,069	12,274		
Equipment	107,274	76,861	30,413	42,734		
	\$ 511,089	\$ 473,249	\$ 37,840	\$ 92,855		

Cost and accumulated amortization as at August 31, 2020 amounted to \$526,075 and \$433,220, respectively. During the year, STEO disposed of fully-amortized assets totaling \$14,986 (2020 - \$Nil).

5. Lease commitments:

STEO leases office premises with terms to November 30, 2026. The minimum annual rent payment under this agreement is as follows:

Fiscal year ending August 31

2022	\$ 31,204
2023	31,888
2024	31,888
2025	31,888
2026	31,888
Thereafter	7,972

6. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. STEO is exposed to this risk relating to its cash and accounts receivable. STEO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

STEO's receivables are with school board authorities and governments. STEO believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. STEO's has not created an allowance for any amounts included in amounts receivable as at August 31, 2021.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements (continued)

Year ended August 31, 2021

6. Financial risks and concentration of credit risk (continued):

(b) Interest rate, market and liquidity risk:

STEO believes it is not subject to significant interest rate, market or liquidity risk arising from its financial instruments.

7. Impact of Coronavirus COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, enacting emergency measures to combat the spread of the virus.

Management has been forthright in undertaking strategies and actions to respond to the COVID-19 outbreak, including work-from-home arrangements for all employees and the implementation of a COVID-19 Operational Guideline for all bus operators.

The situation is dynamic and continuously evolving, and ultimately, the financial impact of the pandemic on STEO remains unknown as of the approval of these financial statements.