



QUARTERLY FINANCIAL PERFORMANCE

Unaudited

For the period ended September 30, 2021



STANDARDS COUNCIL OF CANADA
QUARTERLY FINANCIAL PERFORMANCE
For the period ended September 30, 2021

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Management Responsibility for Financial Quarterly Statements

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Chantal Guay, ing., P. Eng.
Chief Executive Officer



Greg Fyfe, CPA, CMA
Chief Financial Officer and
Vice-President Corporate Services

Ottawa, Canada
November 29, 2021

Management Discussion and Analysis

Highlights of Year-to-date Q2 Results

Financial Overview - unaudited

For the Period Ended September 30
(in thousands of dollars)

	For the quarter ended			For the year-to-date ended		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
Revenue from Operations	2,284	2,482	2,458	4,723	4,818	4,095
Expenses						
Accreditation Services	1,382	1,435	1,245	2,852	2,861	2,363
Standards Solutions & Strategy	2,551	2,915	2,714	5,522	6,185	5,228
Management & Administrative	2,825	2,769	2,684	5,549	5,556	5,120
Total Expenses	6,758	7,119	6,643	13,923	14,602	12,711
Deficit before Appropriations	(4,474)	(4,637)	(4,185)	(9,200)	(9,784)	(8,616)
Parliamentary Appropriation	4,093	3,761	4,587	7,936	7,523	9,167
Total Surplus / (Deficit) for the period	(381)	(876)	402	(1,264)	(2,261)	551

Standards Council of Canada (SCC) ended its second quarter with a year-to-date deficit of \$1.3 million, which was \$1.0 million lower than its planned second quarter year-to-date deficit of \$2.3 million and was \$1.9 million lower than the prior year's second quarter surplus of \$0.6 million. Note that the deficits budgeted for the quarter (\$0.4 million) and the year (\$3.2M) are driven by shifts in delivery and spending from the initial ramping up of temporary program activity and are funded through the accumulated surplus as approved by SCC's governing Council in the Corporate Plan. Much of the Q2 budget variance is also due to in-year timing on deliverables that will catch-up after the second quarter. The COVID-19 pandemic continues to affect SCC's ability to travel and conduct in-person meetings while SCC staff continues to work remotely. Leveraging technology, SCC has launched virtual collaboration tools and has implemented improved ways to work remotely while continuing to deliver on its mandate.

Revenue from operations through September 30th was \$4.7 million, which was \$0.1 million lower than planned revenue of \$4.8 million and was also \$0.6 million higher than the \$4.1 million of revenue recognized for the same period last year. Revenue was higher than budget and prior year for Accreditation Services and Royalties while Innovative Services and Other Income finished slightly lower than budget.

Accreditation Services revenue of \$3.6 million was \$0.2 million higher than its budget of \$3.4 million and was \$0.6 million higher than last year's revenue of \$3.0 million as the Accreditation Services Branch (ASB) has much improved its virtual approach to assessment activity with lessons learned since the onset of the pandemic. ASB is currently on pace to meet or exceed its

financial contribution target for the year which will be reflected in an update to the annual forecast, along with the rest of SCC, early in the third quarter.

Royalties were \$0.9 million which is slightly ahead of its year-to-date budget of \$0.8 million and \$0.2 million higher than prior year royalties of \$0.7 million. Royalties have had several years of successive growth, bolstered by the release of several updated standards; however SCC now expects sales to return to historic levels. As a result, the plan for entire fiscal 2021-2022 has been set to be on par with prior year results.

Other Income and Innovative Services were \$0.2 million, which was lower than its plan of \$0.6 million by \$0.4 million and \$0.2 million lower than last year's revenue of \$0.4 million. Other income is derived from the delivery of project milestones within SCC's advisory contracts. Overall, engagements remain on track to be delivered according to agreed upon requirements. The biggest driver of Q2 plan variance is in Innovative Services where an expected \$0.4 million of milestones were re-scheduled to be invoiced during the second half of the year.

Operating expenses through September 30th were \$13.9 million. These expenses were \$0.7 million lower than planned expenses of \$14.6 million and were \$1.2 million higher than last year's second quarter operating expenses of \$12.7 million.

The operating expenses variance to plan of \$0.7 million was driven by:

- \$0.9 million lower than planned Professional Fees primarily due to timing on commitments that have shifted into future month, equally split between programs and ongoing operations,
- \$0.2 million of higher than planned Salaries & Benefits driven by severances and parental benefits (recovered via additional appropriations) and vacation reserve (which will return to the budgeted amount by March 2022),
- All other expenses balance to budget with no significant variance on any one statement line.

The operating expenses variance to prior year of \$1.2 million higher was driven by:

- \$0.6 million of higher Salaries & Benefits driven by less vacancies, severances and parental benefits and vacation reserve,
- \$0.3 million of higher Professional Fees that is primarily due to planned spending within programs,
- \$0.3 million of higher assessment costs associated with increased activity and higher accreditation revenue,
- All remaining expenses sum to prior year actuals with no significant change on any one statement line.

Through September 30, 2021, SCC has recognized \$7.9 million in parliamentary appropriations, which is \$0.4 million higher than plan of \$7.5 million and \$1.3 million lower than prior year results of \$9.2 million. The plan variance is due to recovery of one-time salaries related expenses as well as new funding received for SCC's Regulatory Capacity project, while the decline from prior year is due to the sunseting of SCC's Infrastructure program which concluded at the end of fiscal year 2020-2021.

Summarized Financial Position - unaudited

(in thousands of dollars)

	September 30, 2021	March 31, 2021
Assets		
Total Financial Assets	8,343	10,763
Total Liabilities	5,127	7,028
Net Financial Assets	3,216	3,735
Total Non-Financial Assets	2,348	3,092
Accumulated Surplus	5,564	6,827

SCC's Net Financial Assets at the end of its second quarter were \$3.2 million, which was \$0.5 million lower than March 31, 2021. The change is related primarily to growth in Liabilities which was driven by the collection of annual fees that are to be recognized into revenue throughout the remainder of fiscal 2021-2022.

At September 30, 2021, SCC's accumulated surplus was \$5.6 million. \$1.5 million is required for adherence to SCC's accumulated surplus target policy; the balance is being utilized on a multi-year reinvestment plan into the organization, advancing SCC's mandate and initiatives over the current and following fiscal years.

Risks and Uncertainties: Q2 Overview Enterprise Risk Management (ERM)

The organization uses the international standard ISO 31000 Risk management and aligns with Treasury Board guidelines as a basis for its risk management practices. SCC monitors overall risk using its corporate risk register, which is updated and reported quarterly to management and SCC's Audit committee and Council. Our assessment of risks also considers attainment of performance objectives around our three strategic priorities: innovation, Canadian leadership and organizational excellence.

The primary focus of risk management for the second quarter at SCC has been to:

- respond to the pandemic situation including the continuation of 100% work from home by providing staff with virtual work capability, adapting more remote tools and technology, and increasing communications;
- ensure disciplined execution against strategic priorities in support of key Government of Canada initiatives;
- balance funding and resource capacity to deliver on strategic priorities; and
- continue implementation of an integrated Information Management and Information Technology (IM/IT) modernization program.

SCC's response to the pandemic is a 100% virtual (work from home) position to be followed up by a "flexible workplace" approach going forward. This addresses the current safety and well-being risks and allows us to adapt to the expected future state necessary and practical for retention and recruitment of staff while also allowing us to create a more collaborate and modern workplace. SCC has initiated a pilot project this fall to investigate this future state and test various flexible workspace scenarios.

SCC remains focused on the implementation of IM/IT essential tools to mitigate risks to deliver in key priority areas. This includes digitization solutions, such as improved collaboration tools to enable remote work, putting e-mail into the cloud and a management system to support learning and human resources practices. During the second quarter of 2021-2022, there was focus on SCC's Customer Relationship Management initiative, continued development within SCC's new human resources management tool as well as work to begin an upgrade to SCC's website.

ASB continues to experience higher than planned volume of assessment activities and has been consistently better than estimates developed at the outset of the COVID-19 pandemic, alleviating concerns about the pandemic's potential negative impact on operations. ASB closely monitors its activities and is forecasting to achieve their financial contribution target this fiscal year with the number of activities very close to what was originally planned.

Statement of Financial Position- unaudited

(in thousands of dollars)

as at:	September 30, 2021	March 31, 2021
Assets		
Financial Assets		
Cash and cash equivalents	6,415	8,598
Accounts receivable	1,928	2,165
Total Financial Assets	8,343	10,763
Liabilities		
Accounts payable and accrued liabilities	682	1,373
Salaries and benefits payable	1,413	1,732
Deferred contributions	24	62
Deferred revenue	2,273	3,085
Deferred lease inducement	735	776
Total Liabilities	5,127	7,028
Net Financial Assets	3,216	3,735
Non-Financial Assets		
Prepaid expenses	649	1,248
Tangible Capital Assets (Net)	1,699	1,844
Total Non-Financial Assets	2,348	3,092
Accumulated Surplus	5,564	6,827

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

Statement of Operations- unaudited

For the Period Ended September 30

(in thousands of dollars)

	2021-2022 Budget		2021-2022 Actual		2020-2021 Actual	
	Q2	Year-to-date	Q2	Year-to-date	Q2	Year-to-date
Revenues from Operations						
Accreditation Revenue	1,714	3,367	1,657	3,594	1,647	2,981
SCC eStore	397	833	496	900	522	736
Delegate Support Contributions	-	-	-	-	(2)	1
Innovative Services	316	529	80	147	39	79
Other Income	55	89	51	82	252	298
Total Revenue from Operations	2,482	4,818	2,284	4,723	2,458	4,095
Expenses						
Accreditation Services	1,435	2,861	1,382	2,852	1,245	2,363
Standards Solutions & Strategy	2,915	6,185	2,551	5,522	2,714	5,228
Management & Administrative Services	2,769	5,556	2,825	5,549	2,684	5,120
Total Expenses	7,119	14,602	6,758	13,923	6,643	12,711
Deficit before Appropriations	(4,637)	(9,784)	(4,474)	(9,200)	(4,185)	(8,616)
Parliamentary Appropriation	3,761	7,523	4,093	7,936	4,587	9,167
Total Surplus / (Deficit) for the period	(876)	(2,261)	(381)	(1,264)	402	551
Accumulated Surplus, beginning of period	5,943	7,328	5,944	6,827	6,876	6,727
Accumulated Surplus, end of period	5,067	5,067	5,563	5,563	7,278	7,278

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

Expenses- unaudited

For the Period Ended September 30

(in thousands of dollars)

	For the quarter ended			Quarter Actuals vs	
	▼ Actual	Budget	Prior Year	Budget	Prior Year
Expenses					
Salaries & Employee Benefits	4,693	4,666	4,535	(27)	(158)
Professional and special services	776	1,133	933	357	157
Memberships in Int'l Organizations	305	314	308	9	3
Assessment Services	290	259	229	(31)	(61)
Office Accomodation	216	215	197	(1)	(19)
Office Supplies	142	125	155	(17)	13
Amortization	119	113	95	(6)	(24)
Training and Development	63	62	43	(1)	(20)
Telecommunications & Postage	37	28	29	(9)	(8)
Insurance	29	26	27	(3)	(2)
Offsite Storage & Other	23	23	21	-	(2)
Repair & Upkeep	20	49	18	29	(2)
Publications & Printing	20	9	14	(11)	(6)
Conferences & Events	12	18	7	6	(5)
Bank Charges	7	16	12	9	5
Rental of Office Equipment	4	3	4	(1)	-
Hospitality	3	2	-	(1)	(3)
Travel	-	58	8	58	8
Bad Debt Expense	(1)	-	8	1	9
Total Expenses	6,758	7,119	6,643	361	(115)

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

Expenses- unaudited

For the Period Ended September 30

(in thousands of dollars)

	For year to date ended			Y-T-D Actuals vs	
	▼ Actual	Budget	Prior Year	Budget	Prior Year
Expenses					
Salaries & Employee Benefits	9,430	9,278	8,896	(152)	(534)
Professional and special services	1,933	2,790	1,616	857	(317)
Assessment Services	622	474	287	(148)	(335)
Memberships in Int'l Organizations	600	628	618	28	18
Office Accomodation	416	430	395	14	(21)
Office Supplies	256	248	325	(8)	69
Amortization	229	227	190	(2)	(39)
Training and Development	117	122	86	5	(31)
Telecommunications & Postage	71	57	53	(14)	(18)
Insurance	54	55	54	1	-
Offsite Storage & Other	45	43	42	(2)	(3)
Repair & Upkeep	42	76	30	34	(12)
Publications & Printing	42	29	34	(13)	(8)
Conferences & Events	22	26	9	4	(13)
Bank Charges	12	34	22	22	10
Travel	11	75	26	64	15
Bad Debt Expense	9	-	20	(9)	11
Rental of Office Equipment	8	7	8	(1)	-
Hospitality	4	3	-	(1)	(4)
Total Expenses	13,923	14,602	12,711	679	(1,212)

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

Statement of Changes in Net Financial Assets - unaudited

For the Period Ended September 30

(in thousands of dollars)

	2021-2022		2020-2021	
	Q2	Year-to-date	Q2	Year-to-date
Total Annual Surplus/ (Deficit)	(381)	(1,264)	402	551
Acquisition of tangible capital assets	-	(85)	(64)	(74)
Disposal of tangible capital assets	-	-	2	2
Amortization of tangible capital assets	120	230	95	190
Acquisition of prepaid expense	(91)	(405)	(67)	(576)
Use of prepaid expense	432	1,005	484	1,136
Increase / (Decrease) in Net Financial Assets	80	(519)	852	1,229
Net Financial Assets, beginning of period	3,136	3,735	4,176	3,799
Net Financial Assets, end of period	3,216	3,216	5,028	5,028

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

Statement of Cash Flows - unaudited

For the Period Ended September 30

(in thousands of dollars)

	2021-2022		2020-2021	
	Q2	Year-to-date	Q2	Year-to-date
Net Cash from Operations				
Surplus / (Deficit) for the period	(381)	(1,264)	402	551
Adjustments for non-cash items:				
amortization of tangible capital assets	120	230	95	190
Changes in:				
accounts receivable	442	238	185	1,191
prepaid expense	341	599	417	560
payables and accrued liabilities	(1,071)	(1,010)	(259)	(1,115)
deferred revenues	(1,229)	(853)	(982)	170
deferred contributions	(1)	(38)	(63)	211
Cash provided by / (used by) operations	(1,779)	(2,098)	(205)	1,758
Capital transactions:				
Acquisition of tangible capital assets	-	(85)	(64)	(74)
Proceeds from disposal of tangible capital assets	-	-	2	2
Cash used by capital transactions	-	(85)	(62)	(72)
Cash applied to financing transactions	-	-	-	-
Increase/(Decrease) in Cash and Cash Equivalents	(1,779)	(2,183)	(267)	1,686
Cash and cash equivalents, beginning of period	8,194	8,598	9,379	7,426
Cash and cash equivalents, end of period	6,415	6,415	9,112	9,112

The accompanying notes and supplementary schedules are an integral part of these unaudited financial statements.

[A statement of remeasurement gains and losses has been excluded as there have been no remeasurement gains or losses]

Notes to the Quarterly Financial Statements September 30, 2021

1. Authority, Mandate and Activities

Standards Council of Canada (SCC) was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 (revised 2006) to be the national coordinating body for voluntary standardization. SCC is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and, for the purposes of the *Income Tax Act*, is deemed to be a registered charity.

SCC's mandate is to promote voluntary standardization activities in Canada, where standardization is not expressly provided for by law, in order to advance the national economy, support sustainable development, benefit the health, safety and welfare of workers and the public, assist and protect consumers, facilitate domestic and international trade and further international cooperation in relation to standardization.

In carrying out its mandate, SCC is engaged in the following activities:

- Foster quality, performance and technological innovation in Canadian goods and services through standards-related activities.
- Develop prioritized standards-related strategies and long-term objectives to advance Canada's economy; support sustainable development; benefit the health, safety and welfare of citizens; and assist and protect consumers.
- Accredite organizations engaged in standards development and conformity assessment.
- Represent Canada's interests internationally and regionally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and various regional standardization organizations.
- Approve the National Standards of Canada (NSCs).
- Provide innovative services, advice and assistance to the Government of Canada in the negotiation of standardization-related aspects of international trade and mutual recognition agreements.
- Work with international standards bodies to develop agreements that facilitate trade.
- Foster and promote a better understanding of the benefits and usage of standards and accreditation services.
- Act as the premiere source to collect and distribute information on standards activities.

In July 2015, the Council was issued a directive (P.C. 2015-1109) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is

consistent with its legal obligation. SCC's policies and practices are aligned with the most recent Treasury Board policies, directives and related instruments as required by the section 89 directive.

2. Significant Accounting Policies

The accompanying unaudited quarterly financial statements should be read in conjunction with the most recent annual audited financial statements of SCC and with the narrative discussion included in the quarterly financial report.

A summary of the significant accounting policies used in these financial statements follows:

(a) Basis of Accounting

SCC's financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Canadian Public Sector Accounting Board.

These condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration Act* and issued by the Treasury Board of Canada Secretariat.

(b) Cash and Cash Equivalents

Consistent with the *Standards Council of Canada Act* and associated by-laws, SCC maintains a bank account in a chartered bank of Canada in which all receipts are deposited and through which all financial business of SCC takes place. Funds surplus to immediate operating requirements are invested in bank certificates of less than three months with a chartered bank bearing the current interest rate and are cashable at any time.

(c) Tangible Capital Assets

Tangible Capital Assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Amortization is recorded on a straight-line basis over the estimated useful life of the assets:

Furniture: 5 years

Equipment: 4 years

Leasehold improvements: lesser of term of the lease or expected useful life

(d) Prepaid Expenses

Prepaid expenses include membership dues and are charged to expense over the periods expected to benefit from them.

(e) Revenue Recognition – Deferred Revenue and Deferred Contributions

Accreditation services fees revenues are derived from application fees, annual accreditation fees and assessment fees. Application fees are recognized as revenue when the application is made. The annual portion of accreditation fees is calculated and invoiced based on customer accreditation agreements and the fees received or receivable are recorded as deferred revenue and then amortized to revenue on a straight-line basis over the period to which the fee applies – which is one year, based on the start of SCC’s fiscal year of April 1. Funds received or receivable in respect of assessment fees are recognized as revenue at the time the related services are provided.

Royalties from sales of standards are recognized as revenue in the period during which the related sales have occurred.

Innovative Services are fees that SCC collects in exchange for providing standards related solutions and expertise to other customers. The rights to collect Innovative Services fees are created via contracts and revenue is recognized as work progresses.

Delegate support contributions are received from third parties to support delegate participation on technical committees. This restricted funding is initially recorded as “Deferred Contributions” and is recognized as delegate support contributions revenue when the related expenditures are incurred.

(f) Deferred Lease Inducement

SCC has received funds from its landlord to pay the cost of tenant improvements made to its office space. Additionally, SCC has received the benefit of tenant inducements related to its office space lease. The value of these items, calculated based on provisions in the lease agreement, is recorded as a deferred lease inducement. It is amortized on a straight-line basis over the duration of the lease and is recognized on the Statement of Operations as a reduction of rent expense.

(g) Expenses

Expenses are reported on an accrual basis to ensure that the cost of all goods and services consumed in the year is expensed. Expenses are presented by function on the Statement of Operations. Accreditation Services expenses relate to SCC accreditation programs where SCC accredits conformity assessment bodies and standards development organizations, such as testing laboratories and product certification bodies, to internationally recognized standards. Standards Solutions & Strategy expenses relate to the development and

application of standards publications to ensure the effective and coordinated operation of standardization in Canada and representation of Canada's interests on standards-related matters in foreign, regional and international forums. Management and Administrative services include the cost of general services, accommodations, insurance, network and telephone expenses, amortization and facilities maintenance.

(h) Parliamentary Appropriation

The Government of Canada provides funding to SCC. Government transfers are recognized as revenues when the transfer is authorized, and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

(i) Pension Benefits

SCC employees are covered by the public service pension plan (the “Plan”); a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required from both the employees and SCC to cover current service costs. Pursuant to legislation currently in place, SCC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of SCC.

(j) Employee Benefit Plan

SCC sponsors an employee benefit plan for health, dental, life and long-term disability insurance through a third-party provider. SCC’s contributions to the plan are recorded at cost and charged to salaries and benefit expenses in the year incurred. These contributions represent SCC’s total obligation to the employee benefit plan. This plan does not require SCC to make further contributions for any future unfunded liabilities of the employee benefit plan.

(k) Vacation Pay

Vacation pay is expensed as the benefit accrues to employees under their respective terms of employment. The liability for unused vacation benefit is calculated at the salary levels in effect at the end of the period.

(l) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the recorded and disclosed amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date

of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life expectancy for tangible capital assets, certain employee-related liabilities, the accrual for assessment fees as well as contingent liabilities.

Estimates are based on the best information available at the time of financial statement preparation and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(m) Related Party Transactions

SCC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. Transactions with these entities are undertaken on terms and conditions similar to those adopted as if the entities were dealing at arm's length and are measured at the exchange amount. Related party receivables are recorded at SCC's normal terms whereby invoices are due within 30 days. Related party payables are recorded at terms agreed upon with its vendors and are usually due within 30 days of invoicing or upon receipt of invoice.

Related parties also include key management personnel (KMP) having authority and responsibility for planning, directing and controlling the activities of SCC, as well as their close family members. SCC has defined its KMP to be its Vice-Presidents, its Chief Executive Officer and members of its Governing Council. Transactions with KMP are measured at the exchange amount.

3. Accumulated Surplus

SCC is subject to the *Standards Council of Canada Act* and the *Financial Administration Act* and any directives issued pursuant to the *Financial Administrations Act*. These affect how SCC manages its capital; one of SCC's objectives is to effectively manage actual costs to budget on an annual basis and to ensure that it has adequate capital to deliver its mandate and to ensure that it continues as a going concern.

SCC targets to maintain a level of accumulated surplus that helps to minimize the impact of financial risks on the organization. SCC's goal is to maintain an accumulated surplus target of \$1.5 million. SCC has determined that this target level of accumulated surplus allows the organization to remain financially sustainable.

SCC is prohibited from issuing its own capital or its own debt to meet any financial requirements and is not subject to externally imposed minimum capital requirements. Its capital management is granted annually through the approval of its Corporate Plan and Operating and Capital Budget.

4. Financial Instruments

SCC's financial instruments consist of cash and cash equivalents, accounts receivable, federal government departments and agencies receivable, accounts payable and accrued liabilities. For the quarter ended September 30, 2021, SCC's cash and cash equivalents balance of \$6.4 million that consisted of \$5.5 million term-deposits and \$0.9 million of cash (September 30, 2020 was \$9.1 million that consisted of \$6.5 million term-deposits and \$2.6 million of cash). All accounts receivable, accounts payable and accrued liabilities are incurred in the normal course of business. All are generally due within 30 days. The carrying value of each financial instrument approximates its fair value because of the short maturity of the instruments. All financial assets and financial liabilities are measured at cost or amortized cost.

In the normal course of business, SCC is primarily exposed to credit risk and liquidity risk. There has been no change to the level of risk compared to the prior year and no changes to SCC's risk management practices. SCC's exposure and strategies to mitigate these risks are noted below:

Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument leading to a financial loss. The maximum exposure that SCC has to credit risk is in relation to its cash and cash equivalents, accounts receivable and federal government departments and agencies receivable. The carrying amount of these financial assets represents the maximum credit risk exposure at the Statement of Financial Position date.

Cash and cash equivalents are held at a reputable Canadian bank. Credit is granted to customers in accordance with existing accreditation program policies and is automatically granted to employees for travel and to government departments, agencies, Crown corporations, and government business enterprises. There is minimal potential risk of loss related to these receivables. SCC does not hold any collateral as security. There is no concentration of credit risk with any one customer.

SCC assesses the requirement for an allowance for bad debts by considering the age of the outstanding receivable and the likelihood of collection.

An account receivable is considered to be impaired and is either written-off or provided for when SCC determines that collection is unlikely and appropriate approvals for the write-down have been obtained.

At September 30, 2021, the allowance for bad debts is estimated at \$31 thousand (September 30, 2020 was \$42 thousand).

Liquidity Risk

Liquidity risk can occur should SCC have difficulty in meeting its obligations associated with financial liabilities. SCC's financial liabilities have contractual maturities of less than 365 days.

SCC's objective is to maintain sufficient cash and cash equivalents through drawdown of its voted parliamentary appropriations, collection of accreditation fees and other services, in order to meet its operating requirements. SCC manages liquidity risk through a detailed annual planning and monthly cash flow planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. SCC's financial liabilities are not significantly exposed to liquidity risk.

Market Risk

Market risk occurs when the fair value of future cash flows of a financial instrument fluctuates due to changes in financial markets. Market risk is comprised of interest risk, currency risk and other price risks such as equity risk. SCC's financial instruments are not significantly exposed to market risk.

5. Tangible Capital Assets

September 30, 2021 (\$000's)	Furniture	Equipment	Leasehold Improv.	Under Construction	Total
<u>Cost</u>					
Begin: April 1, 2021	1,051	3,103	1,162	64	5,380
Additions	-	-	-	85	85
Transfers	-	-	-	-	-
Disposals	(312)	(788)	-	-	(1,100)
End: September 30, 2021	739	2,315	1,162	149	4,365
<u>Accumulated Amortization</u>					
Begin: April 1, 2021	(961)	(2,183)	(392)	-	(3,536)
Amortization	(18)	(172)	(40)	-	(230)
Disposals	312	788	-	-	1,100
End: September 30, 2021	(667)	(1,567)	(432)	-	(2,666)
Net Book Value, September 30, 2021	72	748	730	149	1,699

**Capital Assets under construction at September 30, 2021 were not being amortized and were related to software development (equipment).*

September 30, 2020 (\$000's)	Furniture	Equipment	Leasehold Improv.	Under Construction	Total
Cost					
Begin: April 1, 2020	1,051	2,622	1,154	-	4,827
Additions	-	47	-	27	74
Transfers	-	-	-	-	-
Disposals	-	(46)	-	-	(46)
End: September 30, 2020	1,051	2,623	1,154	27	4,855
Accumulated Amortization					
Begin: April 1, 2020	(892)	(2,005)	(311)	-	(3,208)
Amortization	(34)	(116)	(40)	-	(190)
Disposals	-	44	-	-	44
End: September 30, 2020	(926)	(2,077)	(351)	-	(3,354)
Net Book Value, September 30, 2020	125	546	803	27	1,501

**Capital Assets under construction at September 30, 2020 were not being amortized and were related to software development (equipment).*

6. Royalties from Sale of Standards

Royalties related to the sale of standards are generated from ISO and the IEC since SCC is a member body. Additionally, SCC earns royalties on the sale of standards from independent distributors through National Copyright Exploitation Agreements.

Since April 1, 1998, SCC has outsourced to an independent agent the fulfillment of sales made over its StandardsStore.ca website. This agreement requires the payment of royalties to SCC based on a revenue-sharing agreement of net sales.

7. Pension Benefits

SCC and all eligible employees contribute to the *Public Service Pension Plan*. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index.

SCC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

8. Contractual Rights

SCC has signed contractual agreements with its accreditation services customers. The multi-year accreditation services contracts include an annual fee portion that is payable yearly.

SCC also has contractual agreements to collect royalty fees from ISO, IEC and various other standards sellers like the Canadian Standards Association, Camelot Clarivate and Information Handling Services (IHS). Agreements cover the fiscal year 2021-2022 and are renewed upon expiry at similar terms. Since the revenue from these contracts is based on the volume of sales, the value of the contracts fluctuates, but is expected to approximate SCC's annual average sales.

9. Contractual Commitments

SCC signed a 15-year office lease, effective July 2015.

SCC entered into agreements to lease office equipment. The future minimum annual rental payments under these agreements, exclusive of operating expenses are included in the table below.

	September 30, 2021 (\$000's)			
	Office Space	Office Equipment	Standardization Initiatives	Total
2021-2022	231	25	3,109	3,365
2022-2023	465	17	315	797
2023-2024	465	4	-	469
2024-2025	465	-	-	465
2025-2026	491	-	-	491
2026-2027	518	-	-	518
thereafter	1,812	-	-	1,812
	4,447	46	3,424	7,917

SCC has also entered into contracts with several Standards Development Organizations (SDOs) to assist with standardization initiatives.

As at September 30, 2021, \$7.9 million of contractual commitments were in place (September 30, 2020 was \$8.8 million).

10. Related Party Transactions

For the quarter ended September 30, SCC's related party transactions are summarized as follows:

	<u>2021</u>	<u>2020</u>
Revenue	300	254
Parliamentary Appropriations	7,936	9,167
Expenses	53	89
Federal government departments and agencies receivable and parliamentary appropriations receivable	206	94
Accounts payable and accrued liabilities	2	2

Related party revenues were derived primarily from accreditation services fees while expenses were primarily related to Professional and special services, as well as Telecommunications and postage.

There were no significant transactions with Key Management Personnel and their close family members; nor were there any transactions that have occurred at a value different from that which would have been arrived at if the parties were unrelated.

11. Budget Figures

Budget figures have been provided for comparison purposes. The 2021-2022 plan is reflected in the Statements of Operations and the Statements of Changes in Net Financial Assets. Budget data presented in these financial statements is based upon the 2021-2022 figures contained within the 2021-2022 to 2025-2026 Corporate Plan which is approved by the Governing Council.