

# Financial Performance

In 2019–2020, SCC’s total revenue (excluding federal government funding) was \$10.8 million, which was \$0.2 million or 2 per cent lower than the \$11.0 million recorded during 2018–2019. The decline from last year was primarily due to a decrease of \$0.5 million in royalty revenues from the sale of standards and was partially offset by an increase of \$0.3 million in innovative services. SCC’s 2019–2020 total revenue (excluding federal government funding) of \$10.8 million was similar to its 2019–2020 budget of \$10.9 million; Offsetting variances to budget were: other income which was \$0.4 million ahead of budget, innovative services which was \$0.3 million ahead of budget offset by accreditation assessment revenue which was \$0.5 million below budget and royalty revenues from the sale of standards which was \$0.2 million below budget.

Royalties from the sale of standards totaled \$1.6 million, which was a decrease of \$0.5 million or 24 per cent from the previous year’s \$2.1 million. Versus this year’s budget of \$1.8 million, royalties from the sale of standards experienced a decrease of 11% or \$0.2 million. These revenues are subject to fluctuations due to changes in standards, as well as overall economic activity. Last year’s results experienced higher than average annual sales that resulted from updates to several quality management related standards. Accordingly, SCC planned for a decline in current year

sales; but overall economic softness (especially during the latter part of 2019–2020) contributed to lower sales than budgeted.

Revenue from Accreditation Services fees was \$7.7 million, which was similar to the \$7.8 million recorded during 2018–2019 but was \$0.5 million or 6% lower than its 2019–2020 budget. Revenue from assessments was the main driver of the budget shortfall. Assessment-related revenue was \$3.6 million from more than 420 assessment activities performed during 2019–2020; however, the organization had planned \$4.2 million of revenue from over 460 activities. This decline is primarily driven by volume however, because of a ban on all travel due to Covid-19, accreditation services had to re-schedule many of its budgeted assessments for February and March. While every attempt was made to conduct planned assessments remotely, only about 30% of planned activity is suitable for remote assessments. The impact of revenue shortfalls on SCC surplus was mitigated by lower accreditation related expenses as the Accreditation Services branch achieved its financial performance budget.

Revenue from other income amounted to \$0.5 million, which was the same as the \$0.5 million recognized during the prior fiscal year and \$0.4 million higher than budget. SCC experienced an unanticipated re-distribution of \$0.3 million from the International Organization for

Standardization (ISO) related to their accumulated surplus. SCC experienced a similar unanticipated redistribution last year but did not plan for that level of redistribution to repeat in 2019-2020.

Innovative services revenue was \$0.6 million which was \$0.3 million higher than both prior year and budget. This increase is due to revenue from non-recurring business opportunities that SCC was able to start in 2019-2020. During the year, SCC began exploring opportunities to generate alternative sources of funding from leveraging its standardization expertise. While SCC is optimistic about these early successes, it remains cautious about the certainty of future revenues from this stream.

Operating expenses through March 31<sup>st</sup> were \$29.2 million, which was \$0.1 million lower than budgeted expenses of \$29.3 million and \$2.5 million higher than the \$26.7 million of expenses recognized during 2018-2019. Expenses finished on track to budget as expenditures related to approved programs have continued to ramp up. The increased expenses versus prior year were expected and largely offset by increases in approved appropriations.

Although operating expenses were less than 1% off from budget at \$0.1 million, there were offsetting variances, primarily:

- -\$1.0 million related to the timing of program and corporate professional fees for deliverables that are carried into 2020-2021;
- -\$0.2 million on non-recoverable travel and meeting expenses due to lower than planned activities stemming from the Covid-19 travel ban;
- -\$0.2 million on recoverable assessment travel and assessor fees related to a reduction in accreditation activities;
- +\$1.2 million in salaries, benefits and training due to one-time expenses (\$0.7million), additional training (\$0.2 million) and an increase in staffing (\$0.3 million); and
- +\$0.1 million of variance attributed to all other expenses.

Operating expenses were \$2.5 million higher than last year because of planned cost increases related to:

- +\$2.1 million for staffing (salaries, benefits and training) related to planned program positions;
- +\$1.4 million in professional fees for consulting related to program spending for the Infrastructure and Innovation initiatives as well as IM-IT modernization projects;
- +\$0.4 million of program engagement related costs including non-recoverable travel and meetings;
- -\$1.6 million related to a prior-year write-off of SCC's Business Management Software; and
- +\$0.2 million of year-over year growth in all other expenses.

Through March 31, 2020, SCC has recognized \$18.6 million in Parliamentary Appropriations, which was \$0.7 million higher than its budget of \$17.9 million and \$0.6 million higher than prior year appropriations of \$18.0 million. The increase versus budget is due to the recovery of \$0.7 million in one-time reimbursements. The increase from prior year is primarily due to program funding (\$0.8 million), offset by decrease of (\$0.2 million) in one-time reimbursements. Increase in program funding includes: Adapting Infrastructure to climate change initiative (\$0.3 million), Canada's Innovation and Skills Plan (\$0.3 million) and CyberSecure Canada (\$0.2 million).

At March 31, 2020, SCC's accumulated surplus was \$6.7 million. SCC's modest surplus this year of \$0.2 million is at its lowest level in 3 years as SCC successfully closes the timing difference between new program funding received in-year and activity levels. \$1.0 million is required for adherence to SCC's Accumulated Surplus Target Policy; the balance will be utilized on a multi-year planned program of reinvestment into the organization and infrastructure advancing SCC's mandate and initiatives over the following fiscal years. SCC has a planned deficit in four of the next five years of its Corporate Plan to reflect the catch-up of spending against programs such as Intellectual Property, Cybersecurity, Innovation and Infrastructure.

## Financial Overview 2015–2016 to 2019–2020

Financial Overview	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2019–2020
					Budget	Actual
<b>Revenue</b>						
Accreditation fees	7,288,407	7,750,273	8,008,784	7,867,962	8,224,206	7,723,071
Royalties from standards sales	1,397,631	1,234,018	1,578,477	2,064,385	1,790,000	1,568,236
Innovative services	385,346	311,108	227,087	284,454	310,000	625,268
Delegate support contributions	185,591	342,454	407,686	359,997	430,000	342,818
Other Income	263,170	187,326	326,045	451,155	97,000	529,852
	<b>9,520,145</b>	<b>9,825,179</b>	<b>10,548,079</b>	<b>11,027,953</b>	<b>10,851,206</b>	<b>10,789,245</b>
<b>Expenses (Restated)</b>						
Accreditation Services	5,090,102	5,458,679	5,770,228	5,897,870	6,433,673	6,295,578
Standards Solution & Strategy	7,419,560	8,350,050	9,080,271	10,609,103	13,591,136	12,540,657
Management and Administrative Services	8,129,030	8,020,916	9,089,755	10,219,704	9,301,397	10,366,349
	<b>20,638,692</b>	<b>21,829,645</b>	<b>23,940,254</b>	<b>26,726,677</b>	<b>29,326,206</b>	<b>29,202,584</b>
<b>(Deficit) from Operations</b>	<b>(11,118,547)</b>	<b>(12,004,466)</b>	<b>(13,392,175)</b>	<b>(15,698,724)</b>	<b>(18,475,000)</b>	<b>(18,413,339)</b>
<b>Government Funding</b>						
Parliamentary Appropriations	10,194,937	10,515,380	13,828,495	17,973,672	17,910,000	18,578,854
<b>Annual (Deficit) / Surplus</b>	<b>(923,610)</b>	<b>(1,489,086)</b>	<b>436,320</b>	<b>2,274,948</b>	<b>(565,000)</b>	<b>165,515</b>

## Enterprise Risk Management

SCC's overall risks are determined, and regularly reviewed, as part of its corporate planning process. The organization uses the international standard ISO 31000, *Risk Management*, to guide its risk management process and ensure SCC has appropriate risk mitigation strategies in place.

SCC's risks are closely monitored by both management and SCC's Governing Council and updated through the corporate risk registry. The organization also reviews salient quarterly financial impacts, with a view to assessing these impacts against ongoing corporate risk areas.

During fiscal year 2019–2020, SCC's key areas of focus included:

- disciplined execution against strategic priorities in support of key Government of Canada initiatives;
- ensuring resource capacity to deliver on strategic priorities;
- continued implementation of essential business tools; and
- achievement of financial targets.

Forecasting and contracting improvements are in place to further mitigate risks in carrying out the organization's planned initiatives in support of its mandate. SCC has continued to improve its financial tracking and processes, as well as increase its resource capacity, to deliver against its commitments and its planned decrease in the accumulated surplus.

SCC remains focused on carefully monitoring the delivery of essential business tools to mitigate any risks with delivering in key areas of SCC's priorities. This includes digitization solutions, such as an improved collaboration hub for standards development and a management system to support learning and human resources practices.

In March 2020, SCC added COVID-19 Pandemic Response as a significant item to its Enterprise Risk Management Registry. This included mitigations already in place and future state mitigations for this fluid situation.

## Management Responsibility for Financial Statements

The accompanying financial statements and all information in the Annual Report are the responsibility of SCC. The financial statements were prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. The information included in these financial statements is based on management's best estimates and judgment.

SCC management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. These controls and procedures are also designed to provide reasonable assurance that transactions are within SCC's mandate as stated in the *Standards Council of Canada Act*.

SCC's Governing Council, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. Comprised solely of independent Council members, the Audit Committee meets with management to review the financial statements on a quarterly basis and the audited financial statements and Annual Report annually and reports on them to the Governing Council which approves the financial statements.

The Auditor General of Canada, the external auditor of SCC, conducts an independent audit, in accordance with Canadian generally accepted auditing standards, and expresses an opinion on the financial statements. The Office of the Auditor General of Canada has full and free access to financial management of SCC and meets with SCC when required.



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



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

Ottawa, Canada  
June 4, 2020

STANDARDS COUNCIL OF CANADA  
STATEMENT OF FINANCIAL POSITION

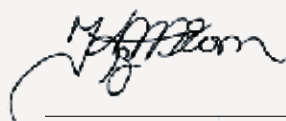
As at March 31,	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents (Note 4)	\$ 7,425,549	\$ 6,560,363
Accounts receivable (Note 4)	2,160,181	2,410,233
Federal government departments and agencies receivable (Note 15)	211,100	147,803
Parliamentary appropriations receivable (Note 15)	668,854	899,672
	<b>10,465,684</b>	10,018,071
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	3,840,924	3,451,313
Deferred contributions (Note 7)	2,214	15,249
Deferred revenue (Note 8)	1,966,301	1,691,967
Deferred lease inducement (Note 9)	857,974	883,516
	<b>6,667,413</b>	6,042,045
<b>Net Financial Assets</b>	<b>3,798,271</b>	<b>3,976,026</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 5)	1,619,311	1,860,748
Prepaid expenses	1,309,019	724,312
	<b>2,928,330</b>	2,585,060
<b>Accumulated Surplus</b>	<b>\$ 6,726,601</b>	\$ 6,561,086

Contractual rights (Note 13)

Contractual commitments (Note 14)

The accompanying notes are an integral part of these financial statements.

Approved by the Governing Council:



**Kathy Milsom**  
Chair

Approved by Management:



**Chantal Guay**  
Chief Executive Officer

STANDARDS COUNCIL OF CANADA  
STATEMENT OF OPERATIONS

For the year ended March 31,	2020 Revised Budget (Note 16)	2020	2019
<b>Revenues from Operations</b>			
Accreditation services fees	\$ 8,224,206	\$ 7,723,071	\$ 7,867,962
Royalties from sales of standards (Note 10)	1,790,000	1,568,236	2,064,385
Delegate support contributions	430,000	342,818	359,997
Innovative services	310,000	625,268	284,454
Other income	97,000	529,852	451,155
	10,851,206	10,789,245	11,027,953
<b>Expenses (Notes 12, 17)</b>			
Accreditation Services	6,433,673	6,295,578	5,897,870
Standards Solution & Strategy	13,591,136	12,540,657	10,609,103
Management and Administrative Services	9,301,397	10,366,349	10,219,704
	29,326,206	29,202,584	26,726,677
<b>Deficit before parliamentary appropriations</b>	(18,475,000)	(18,413,339)	(15,698,724)
Parliamentary appropriations	17,910,000	18,578,854	17,973,672
<b>Surplus / (Deficit)</b>	(565,000)	165,515	2,274,948
<b>Accumulated Surplus, beginning of year</b>	7,336,000	6,561,086	4,286,138
<b>Accumulated Surplus, end of year</b>	\$ 6,771,000	\$ 6,726,601	\$ 6,561,086

The accompanying notes are an integral part of these financial statements.

STANDARDS COUNCIL OF CANADA  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**

For the year ended March 31,	2020 Revised Budget (Note 16)	2020	2019
Surplus / (Deficit)	\$ (565,000)	\$ <b>165,515</b>	\$ 2,274,948
Acquisition of tangible capital assets	(270,000)	<b>(176,200)</b>	(825,659)
Loss on disposal of tangible capital assets	-	-	636
Write-down of tangible capital assets	-	-	1,360,871
Amortization of tangible capital assets	369,000	<b>417,637</b>	657,043
(Increase) / Decrease in prepaid expenses	(12,000)	<b>(584,707)</b>	429,143
<b>Increase / (Decrease) in Net Financial Assets</b>	<b>(478,000)</b>	<b>(177,755)</b>	<b>3,896,982</b>
Net financial Assets at beginning of year	3,207,000	<b>3,976,026</b>	79,044
<b>Net financial Assets at end of year</b>	<b>\$ 2,729,000</b>	<b>\$ 3,798,271</b>	<b>\$ 3,976,026</b>

*The accompanying notes are an integral part of these financial statements.*



STANDARDS COUNCIL OF CANADA  
STATEMENT OF CASH FLOW

For the year ended March 31,	2020	2019
<b>Operating Transactions:</b>		
Surplus	\$ 165,515	\$ 2,274,948
Adjustments for non-cash items:		
Amortization of tangible capital assets	417,637	657,043
Loss on disposal of tangible capital asset	–	636
Write-down of tangible capital asset	–	1,360,871
Changes in:		
Prepaid expense	(584,707)	429,143
Deferred revenue	274,334	90,364
Deferred lease inducement	(25,542)	(76,825)
Accounts receivable	250,052	(384,922)
Federal government departments and agencies receivable	(63,297)	18,724
Parliamentary appropriations receivable	230,818	143,823
Accounts payable and accrued liabilities	420,704	725,971
Deferred contributions	(13,035)	813
Cash provided by operating transactions	1,072,479	5,240,589
<b>Capital Transactions:</b>		
Additions of tangible capital assets	(207,293)	(887,226)
Cash applied to capital transactions	(207,293)	(887,226)
Increase in cash and cash equivalents	865,186	4,353,363
Cash and cash equivalents, beginning of the year	6,560,363	2,207,000
Cash and cash equivalents, end of the year	\$ 7,425,549	\$ 6,560,363

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

March 31, 2020

## 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 in 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 Standards (ISO), the International Electrotechnical Commission (IEC) and various regional standardization organizations.
- Approve 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

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

### a) Basis of Accounting

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

### 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 of SCC's financial business takes place. Funds surplus to immediate operating requirements are invested in bank certificates 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 (including software):	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 expenses 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 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.

Other income includes various items, most notably profit distributions from the International Standards Organization and interest income. The profit distributions are recognized as revenue in the period in which the distributions are announced and interest is recognized as it is earned.

#### **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 Appropriations**

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 fiscal year.

#### **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, liabilities, and contingent 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 of 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 quarterly 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 Administration 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 \$1.0 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 year ended March 31, 2020, SCC's cash and cash equivalents balance of \$7,425,549 consisted of \$5,812,903 term-deposits and \$1,612,646 of cash (March 31, 2019 was \$6,560,363 and consisted of \$4,527,239 term-deposits and \$2,033,124 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 also 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.

As at March 31, the aging of SCC's receivables is as follows:

**Non-Related Party Accounts Receivable** (accounts receivable):

	Total	Current	30–60 Days	60–90 Days	90–120 Days	>120 Days
<b>2020</b>	\$ 2,160,181	\$ 1,627,098	\$ 314,966	\$ 24,611	\$ 20,530	\$ 172,976
<b>2019</b>	\$ 2,410,233	\$ 2,151,387	\$ 69,713	\$ 119,255	\$ 33,408	\$ 36,470

**Related Party Accounts Receivable** (federal government departments and agencies and parliamentary appropriations receivable):

	Total	Current	30–60 Days	60–90 Days	90–120 Days	>120 Days
<b>2020</b>	\$ 879,954	\$ 881,387	-\$ 3,707	\$ 199	\$ 1,371	\$ 704
<b>2019</b>	\$ 1,047,475	\$ 989,861	\$ 28,687	\$ 28,927	\$ 0	\$ 0

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 March 31, 2020, the allowance for bad debts is estimated at \$22,166 (March 31, 2019 was \$36,474). The following table provides a reconciliation of the allowance for the year.

	March 31, 2020	March 31, 2019
Balance, beginning of year	\$ 36,474	\$ 75,421
Recoveries / (Write-offs)	7,168	(32,833)
Bad Debt Allowance Reduction	(21,476)	(6,114)
<b>Balance, end of year</b>	<b>\$ 22,166</b>	<b>\$ 36,474</b>

**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. For SCC, market risk is comprised of interest risk and currency risk. SCC's financial instruments are not significantly exposed to market risk.

## 5. Tangible Capital Assets

March 31, 2020

	Furniture	Equipment	Leasehold Improvements	2020 Total
<b>Cost</b>				
Opening Balance	\$ 1,047,049	\$ 2,610,264	\$ 1,126,747	\$ 4,784,060
Additions	4,157	144,311	27,732	176,200
Write-downs	0	0	0	0
Disposals	(475)	(132,483)	0	(132,958)
Closing Balance	1,050,731	2,622,092	1,154,479	4,827,302
<b>Accumulated Amortization</b>				
Opening Balance	(766,790)	(1,924,607)	(231,915)	(2,923,312)
Amortization	(125,396)	(213,087)	(79,154)	(417,637)
Write-downs	0	0	0	0
Disposals	475	132,483	0	132,958
Closing Balance	(891,711)	(2,005,211)	(311,069)	(3,207,991)
<b>Net Book Value</b>	<b>\$ 159,020</b>	<b>\$ 616,881</b>	<b>\$ 843,410</b>	<b>\$ 1,619,311</b>

The additions of tangible capital assets in the Statement of Cash Flow are adjusted for 2018–2019 additions paid in 2019–2020 of \$54,833 and 2019–2020 additions paid in 2020–2021 of \$23,740.

March 31, 2019

	Furniture	Equipment	Leasehold Improvements	2019 Total
<b>Cost</b>				
Opening Balance	\$ 910,233	\$ 3,959,585	\$ 954,236	\$ 5,824,054
Additions	137,943	515,205	172,511	825,659
Write-downs	–	(1,814,494)	–	(1,814,494)
Disposals	(1,127)	(50,032)	–	(51,159)
Closing Balance	1,047,049	2,610,264	1,126,747	4,784,060
<b>Accumulated Amortization</b>				
Opening Balance	(666,933)	(1,935,617)	(167,865)	(2,770,415)
Amortization	(100,984)	(492,009)	(64,050)	(657,043)
Write-downs	–	453,623	–	453,623
Disposals	1,127	49,396	–	50,523
Closing Balance	(766,790)	(1,924,607)	(231,915)	(2,923,312)
<b>Net Book Value</b>	<b>\$ 280,259</b>	<b>\$ 685,657</b>	<b>\$ 894,832</b>	<b>\$ 1,860,748</b>

## 6. Accounts Payable and Accrued Liabilities

	March 31, 2020	March 31, 2019
Vendor payables and accrued liabilities	\$ 1,609,022	\$ 1,685,982
Salaries and benefits payable	1,972,460	1,551,844
Accrued vacation pay	259,442	213,487
	<b>\$ 3,840,924</b>	<b>\$ 3,451,313</b>

## 7. Deferred Contributions

Changes made to the balance of this account are as follows:

	March 31, 2020	March 31, 2019
Balance, Beginning of Year	\$ 15,249	\$ 14,436
Add: Contributions received	319,092	360,810
Less: Contributions recognized	(332,127)	(359,997)
Net Contributions	(13,035)	813
<b>Balance, End of Year</b>	<b>\$ 2,214</b>	<b>\$ 15,249</b>

## 8. Deferred Revenue

Changes made to the balance of this account are as follows:

	March 31, 2020	March 31, 2019
Balance, Beginning of Year	\$ 1,691,967	\$ 1,601,603
Add: Annual Fees collected per customer agreements	4,367,894	4,281,669
Less: Annual Fees recognized into revenue	(4,093,560)	(4,191,305)
Net Annual Fees	274,334	90,364
<b>Balance, End of Year</b>	<b>\$ 1,966,301</b>	<b>\$ 1,691,967</b>

## 9. Deferred Lease Inducement

Changes made to the balance of this account are as follows:

	March 31, 2020	March 31, 2019
Balance, Beginning of Year	\$ 883,516	\$ 960,341
Add: Inducements received	56,020	-
Less: Inducements recognized	(81,562)	(76,825)
Net Inducements	(25,542)	(76,825)
<b>Balance, End of Year</b>	<b>\$ 857,974</b>	<b>\$ 883,516</b>

## 10. Royalties from Sales 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.



## 11. Pension and Employee Benefits

### 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 per cent 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. SCC's and employees' contributions to the Plan for the year were as follows:

	March 31, 2020	March 31, 2019
SCC's contribution	\$ 1,273,575	\$ 1,086,624
Employees' contributions	\$ 1,140,112	\$ 1,038,050

The rates of contribution to the Plan are determined on a calendar-year basis and were as follows:

	Calendar Year	
	2020	2019
<b>Employees (pre-2013) – Current Service:</b>		
- On earnings up to yearly maximum pensionable earnings (YMPE)	9.53%	9.56%
- On earnings exceeding YMPE: 2020 – \$58,700 2019 – \$57,400	11.72%	11.78%
<b>Employees (post 2013) – Current Service:</b>		
- On earnings up to yearly maximum pensionable earnings	8.69%	8.68%
- On earnings exceeding YMPE: 2020 – \$58,700 2019 – \$57,400	10.15%	10.18%
<b>Employer – Expressed as a Multiple of Employee Contributions:</b>		
- For pre-2013 employee contributions on current and elective service on single-rate employee contributions	1.01	1.01
- For pre-2013 employee elective service on double-rate Contributions	0.01	0.01
- For post 2013 employee contributions on current and elective service on single-rate employee contributions	1.00	1.00
- For post 2013 employee elective service on double-rate employee contributions	nil	nil
- For existing Retirement Compensation Arrangement on earnings that exceed: 2020 – \$173,000 2019 – \$169,300	3.80	3.79

### Employee Benefits:

For the year ended March 31, 2020, SCC paid \$980,477 for its employees' benefits plan (March 31, 2019 was \$862,350).

## 12. Expenses

	2020	2019
Salaries and employee benefits	\$ 15,721,565	\$ 13,803,755
Professional and special services	7,276,739	5,726,700
Travel	2,548,071	2,321,513
Memberships in international organizations	1,242,454	1,239,914
Office accommodation	739,414	700,935
Amortization of premises and equipment	417,637	657,042
Office supplies	296,600	140,173
Conferences & events	278,899	158,252
Hospitality	146,617	69,989
Telecommunications and postage	131,548	115,863
Insurance	97,340	94,521
Repair & upkeep	80,748	63,001
Offsite storage & other	79,692	85,826
Publications and printing	78,644	110,301
Bank charges	63,560	51,750
Rental of office equipment	24,532	31,750
Write-down of tangible capital assets	-	1,360,870
Loss on disposal of tangible capital assets	-	636
Bad debt allowance reductions	(21,476)	(6,114)
	<b>\$ 29,202,584</b>	<b>\$ 26,726,677</b>

## 13. 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. As at March 31, 2020 SCC had contractual rights to \$2,131,152 of uncollected annual fees pertaining to fiscal year 2020–2021 (March 31, 2019 was \$2,323,894 pertaining to fiscal year 2019–2020).

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. Agreements cover the fiscal year 2020–2021 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 \$1.8 million which is SCC's average over

the past three years of \$1.7 million adjusted for anticipated volume growth. At March 31, 2019 the expectation was \$2.1 million.

## 14. Contractual Commitments

SCC signed a 15 year office lease, effective July 2015, as well as a lease amendment for additional space effective December 2018 with the same term ending period.

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

SCC has also entered into contracts with several standards development organizations to assist with standardization initiatives.

March 31, 2020				
	Office Space	Office Equipment	Standardization Initiatives	Total
2020–2021	\$ 433,123	\$ 45,307	\$ 2,685,167	\$ 3,163,597
2021–2022	464,811	30,825	621,250	1,116,886
2022–2023	464,811	17,472	74,930	557,213
2023–2024	464,811	4,368	–	469,179
2024–2025	464,811	–	–	464,811
thereafter	2,820,591	–	–	2,820,591
<b>TOTAL</b>	<b>\$ 5,112,958</b>	<b>\$ 97,972</b>	<b>\$ 3,381,347</b>	<b>\$ 8,592,277</b>

There are commitments of \$6,596 with related parties included in standardization initiatives in 2020–2021 (March 31, 2019 was \$10,190).

## 15. Related Party Transactions

For the year ended March 31, SCC's related party transactions are summarized as follows:

	2020	2019
Revenues	\$ 1,034,215	\$ 829,414
Parliamentary appropriations	18,578,854	17,973,672
Expenses	125,068	71,100
Federal government departments and agencies receivable and parliamentary appropriations receivable	879,954	1,047,475
Accounts payable and accrued liabilities	\$ 10,452	\$ 45,002

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 KMP 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.

## 16. Budget Figures

Budget figures have been provided for comparison purposes. The 2019–2020 operating budget is reflected in the Statements of Operations and the Statements of Changes in Net Financial Assets. Budgets figures are based on the amounts included in the 2019–2020 to 2023–2024 Corporate Plan approved by the Governing Council and subsequent adjustments to account for significant changes that transpired between the finalization of the Corporate Plan and SCC’s previous year-end of March 31, 2019. These adjustments were shared with SCC’s Audit Committee. There were two adjustments:

1. Revisions to the Accreditation Services Branch activity planning assumptions that resulted in higher assessor fees and travel costs. Since these costs are recoverable from customer billings, there was a corresponding increase in revenues; and
2. SCC wrote-off its Business Management System at the end of 2018-2019. The removal of the tangible capital asset resulted in a lower expected amortization expense in 2019-2020.

	Approved Corporate Plan	Accreditation Services Activity Revisions	Adjust Amortization	Net Adjustments	Revised 2020 Budget
Revenue from Operations	\$ 10,394,000	\$ 457,206	\$ –	\$ 457,206	\$ 10,851,206
Expenses	29,364,000	457,206	(495,000)	(37,794)	29,326,206
<b>Deficit before parliamentary appropriations</b>	<b>(18,970,000)</b>	–	<b>495,000</b>	<b>495,000</b>	<b>(18,475,000)</b>
Parliamentary appropriations	17,910,000	–	–	–	17,910,000
<b>Surplus/(Deficit)</b>	<b>\$ (1,060,000)</b>	<b>\$ –</b>	<b>\$ 495,000</b>	<b>\$ 495,000</b>	<b>\$ (565,000)</b>

The budget figures were also adjusted to reflect a change in presentation as a result of the corporate reorganization described in Note 17. This resulted in a reclassification of \$489,336 of budgeted expenses from Management and Administrative Services to Standards Solution & Strategy.

## 17. Comparative Figures

Certain comparative figures have been reclassified, in order to conform to the presentation changes adopted in fiscal year 2019–2020. There was reorganization of SCC’s CEO, Strategy and Communications branches that resulted in a reclassification of \$329,002 in prior year expenses from Management and Administrative Services to Standards Solution & Strategy on the Statement of Operations.