



QUARTERLY FINANCIAL PERFORMANCE

Unaudited

For the period ended September 30, 2023



STANDARDS COUNCIL OF CANADA
QUARTERLY FINANCIAL PERFORMANCE
For the period ended September 30, 2023

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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, 2023

Management Discussion and Analysis

Highlights of Year-to-date Q2 Results

Financial Overview - unaudited

For the Period End September 30

(in thousands of dollars)

	For the quarter,			For the year-to-date,		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
Revenue from Operations	3,298	3,784	2,863	7,499	7,546	5,768
Expenses						
Accreditation Services	1,874	1,939	1,742	4,125	3,904	3,487
Standards Solutions & Strategy	3,643	3,730	2,554	6,886	7,466	5,111
Management & Administrative	3,468	3,053	3,068	6,616	6,061	6,080
Total Expenses	8,985	8,722	7,364	17,627	17,431	14,678
Deficit before Appropriations	(5,687)	(4,938)	(4,501)	(10,128)	(9,885)	(8,910)
Parliamentary Appropriation	4,467	4,420	3,904	8,947	8,871	8,515
Total Deficit for the period	(1,220)	(518)	(597)	(1,181)	(1,014)	(395)

Standards Council of Canada (SCC) ended its second quarter with a year-to-date deficit of \$1.2 million, which was \$0.2 million higher than its planned year-to-date deficit of \$1.0 million and was \$0.8 million higher than the prior year's second quarter-to-date deficit of \$0.4 million. The budgeted deficits for the quarter (\$0.5 million) and the full year (\$2.5 million) represent timing differences carried over from the ramping up of temporary program spending. These deficits were approved by SCC's governing Council as part of SCC's current Corporate Plan. The minor budget variance through September 30 was due to timing on deliverables.

Revenue from operations through September 30th was \$7.5 million, which was on track to planned revenue of \$7.5 million and was also \$1.7 million higher than the \$5.8 million of revenue recognized for the same period last year. Revenue is on pace to achieve or be higher than budget and prior year across all lines of business at year end:

- Accreditation Services revenue of \$5.0 million was \$0.3 million higher than planned revenue of \$4.7 million and \$0.6 million ahead of the \$4.4 million recognized for the same period last year. Revenue over plan is the result of increased assessment engagements, and a higher proportion of travel recoverable as revenue.
- Royalties revenue was \$1.1 million, which is \$0.2 million ahead of both year-to-date plan and year-to-date prior year results of \$0.9 million. The increase is attributable to

unexpected boost in volume, some of it stemming from a recent update to a Cyber-Security standard. SCC expects sales to remain at historical high levels, consequently, the plan and forecast for the balance of fiscal 2023-2024 is to be on par with prior year results.

- Other Income and Innovative Services were \$1.4 million, which was \$0.5 million lower than budget of \$1.9 million and \$0.9 million higher than prior year revenues of \$0.5 million. Innovative Services is derived from the delivery of project milestones against SCC's advisory services commitments. Other income stems from training courses on accreditation programs, registration fees and interest on bank balances. The year-to-date budget difference is related to the timing of milestones that have extended into the third quarter.

Operating expenses through September 30th were \$17.6 million. These expenses were \$0.2 million higher than planned expenses of \$17.4 million and were \$2.9 million higher than last year's second quarter-to-date operating expenses of \$14.7 million.

The \$0.2 million variance to plan was driven by:

- \$0.8 million of higher than planned salaries and benefits due primarily to lower than planned staff vacancy rates (SCC had an ongoing vacancy rate of 6% versus its planning assumption of 7%);
- \$0.3 million of timing in Delegate Support expenses due to a quicker than anticipated return to travel as budget for these expenses were planned to transpire later in the year. These timing differences are expected to catch-up by the end of the 2023-2024 fiscal year as the program is forecasting to be on track to plan. These overspends were partially offset by,
- \$0.9 million lower than planned Professional Fees spending that is primarily timing on commitments that have shifted into future months: mostly from milestones related to programs as well as some fees related to projects within ongoing operations.

The operating expenses increase versus prior year of \$2.9 million was driven by:

- \$1.2 million of higher Salaries & Benefits driven by fewer than expected staff vacancies and the more timely filling of planned positions; and
- \$0.8 million of higher travel and meeting costs associated with increased travel post-pandemic;
- \$0.6 million of additional professional services consistent with planned activities and budget for the year, and
- \$0.3 million of higher delegate support costs as the program continues to ramp up with the return of travel and in-person technical committee meetings.

Through September 30, 2023, SCC has recognized \$8.9 million in parliamentary appropriations, which was slightly higher than budget of \$8.8 million and \$0.4 million higher than the \$8.5 million recorded last year due to the planned annual funding variances from several programs including:

- \$0.7 million increase for the Infrastructure II & Standards to Support Resilience in Infrastructure Program, partially offset by,
- \$0.2 million decrease for the Pan-Canadian Artificial Intelligence Strategy, and
- \$0.1 million decrease for SCC's 50-30 Program, consistent with the programs funding profile.

Summarized Financial Position - unaudited

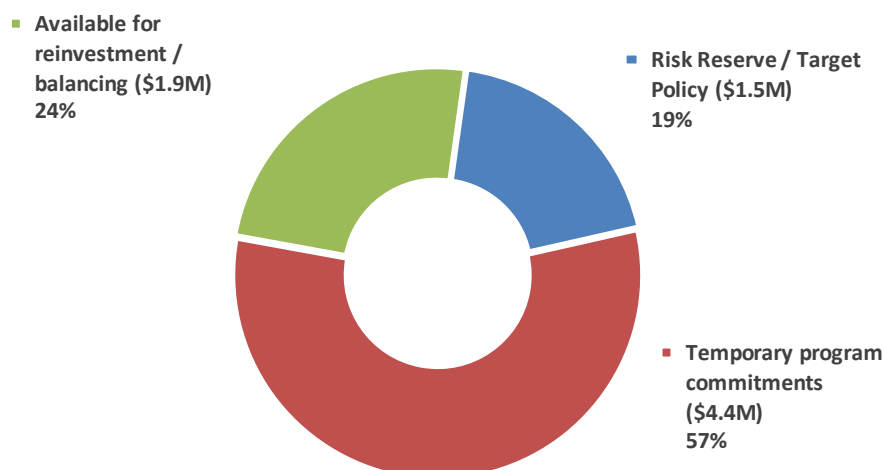
(in thousands of dollars)

	September 30, 2023	March 31, 2023
Assets		
Total Financial Assets	10,282	10,669
Total Liabilities	4,794	4,454
Net Financial Assets	5,488	6,215
Total Non-Financial Assets	2,348	2,801
Accumulated Surplus	7,836	9,016

SCC's Net Financial Assets at the end of its second quarter were \$5.4 million, which was \$0.8 million lower than March 31, 2023. The decrease is related primarily to growth in Deferred Revenue liabilities and a delay in payments which were partially offset by an increase in Cash. Deferred Revenues grew by \$1.8 million and stemmed from the invoicing of annual fees in April, as well as payments received for innovative services' billings for SCC's mental health program with Health Canada. Both the annual fees and innovative services collections will be recognized into revenue throughout the remainder of the fiscal year 2023-2024. Accounts receivable also decreased by \$1.2 million due to collections of program funding that was approved late last fiscal year and collected during the first half of this fiscal year.

At September 30, SCC's Accumulated Surplus was \$7.8 million. This \$1.2 million decrease in SCC's Accumulated Surplus was driven by SCC's year-to-date \$1.2 million deficit and was consistent with SCC's planned activities for the period. SCC's Corporate Plan reflects the balance between funding and expenditures over the next five years. SCC's Accumulated Surplus is fully committed to fulfill SCC's temporary program deliverables and a "reinvestment component" for IM/IT modernization and security, as well as the staffing required for funded programs. SCC also maintains a \$1.5 million reserve for risk as per its Accumulated Surplus Target Policy.

Accumulated Surplus (\$7.8M)



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

SCC uses the international ISO 31000 Risk Management standard 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. The assessment of risks also considers attainment of performance objectives around SCC's three strategic priorities: Innovation and competitiveness, Canadian leadership and Organizational excellence.

The primary focus of risk management during SCC's second quarter continued to be:

- cybersecurity and IT resiliency
- balance funding and resource capacity to ensure disciplined execution against strategic priorities in support of key Government of Canada initiatives and,
- Accreditation Services' revenue and contribution growth while maintaining a cadre of qualified professionals.

Financial pressures as a result of ongoing inflationary erosion of base funding are impacting SCC's ability to deliver against its base requirements as well as emerging strategic priorities. The organization is now closer than ever to its residual risk reserve of cash net of temporary program and project funding as shown in the Accumulated Surplus chart above. SCC's ability to balance funding and resource capacity with demand is driving increased risk in financial sustainability. With respect to achieving financial targets, SCC is forecasting to finish the year slightly ahead of budget due to the anticipated late approvals of new funding for programs like Infrastructure, Cybersecurity and Indo-Pacific, but will be right on plan with regards to the a-base and revenue-based programming and services.

SCC continued to progress against its IT plan to modernize systems, databases, and applications to meet the organization's future needs. A robust suite of productivity and system tools is required as SCC maintains a hybrid environment while continuing to grow and innovate. Cybersecurity

threats also present significant, continuous risks that require sustained vigilance for mitigation. To help manage these, SCC significantly reduced potential single points of failure on aging systems and conducts ongoing monitoring of threats. SCC adheres to the Canadian Centre for Cyber Security recommendations as a main approach to threat risk assessment. Actions plans are in place to address any medium or high cyber security risks.

An engaging and caring workforce culture has had a significant positive impact on staff morale and productivity, as well as SCC's ability to attract and retain staff. SCC continuously surveys employee engagement, responds to opportunities for enhancement, and maintains a healthy workplace strategy that includes mental health components to ensure its culture remains dynamic, diverse, and vibrant. SCC attracts a mix of external experts and volunteers that help with the maintenance of the standardization network in Canada. During the second quarter, SCC focused on maintaining mitigation plans for the risk of losing key personnel and a potential decline in technical committee volunteers. Increased stakeholder participation were significant target areas of focus in both implementation plans for the National Standards Strategy and International Standardization Roadmap.

Accreditation Services' revenue results were ahead of budget through September 30; and so were recoverable travel costs as the return of travel has occurred faster than expected. The volume of assessment activities continues to increase as per plan. The Accreditation Services branch closely monitors its activities and is forecasting to finish reasonably close to their financial contribution target this fiscal year with the number of activities very close to what was originally planned. The branch marketing plan has been reviewed while activities and tactics were identified to deliver 2023-2024 revenue and contribution targets. Regular analysis to gauge the impact of inflation on program pricing is maintained to help re-establish reasonable growth and future margin targets. Additionally, the branch maintains a succession plan, as well as a robust learning management system to help ensure a base of qualified assessment personnel.

Statement of Financial Position- unaudited

(in thousands of dollars)

as at:	September 30, 2023	March 31, 2023
Assets		
Financial Assets		
Cash and cash equivalents	6,183	5,386
Accounts receivable	4,099	5,283
Total Financial Assets	10,282	10,669
Liabilities		
Accounts payable and accrued liabilities	751	1,598
Salaries and benefits payable	1,173	1,738
Deferred contributions	120	136
Deferred revenue	2,177	369
Deferred lease inducement	573	613
Total Liabilities	4,794	4,454
Net Financial Assets	5,488	6,215
Non-Financial Assets		
Prepaid expenses	974	1,386
Tangible Capital Assets (Net)	1,374	1,415
Total Non-Financial Assets	2,348	2,801
Accumulated Surplus	7,836	9,016

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

Statement of Operations- unaudited

For the Period End September 30

(in thousands of dollars)

	2023 - 2024 Budget		2023 - 2024 Actual		2022 - 2023 Actual	
	Q2	Year-to-date	Q2	Year-to-date	Q2	Year-to-date
Revenues from Operations						
Accreditation Revenue	2,319	4,725	2,236	4,989	2,150	4,406
SCC eStore	414	897	455	1,076	371	890
Delegate Support Contributions	-	-	15	16	4	5
Innovative Services	1,002	1,831	424	1,123	213	289
Other Income	49	93	168	295	125	178
Total Revenue from Operations	3,784	7,546	3,298	7,499	2,863	5,768
Expenses						
Accreditation Services	1,939	3,904	1,874	4,125	1,742	3,487
Standards Solutions & Strategy	3,730	7,466	3,643	6,886	2,554	5,111
Management & Administrative Services	3,053	6,061	3,468	6,616	3,068	6,080
Total Expenses	8,722	17,431	8,985	17,627	7,364	14,678
Deficit before Appropriations	(4,938)	(9,885)	(5,687)	(10,128)	(4,501)	(8,910)
Parliamentary Appropriation	4,420	8,871	4,467	8,947	3,904	8,515
Total Deficit for the Period	(518)	(1,014)	(1,220)	(1,181)	(597)	(395)
Accumulated Surplus, beginning of period	7,487	7,983	9,055	9,016	8,259	8,057
Accumulated Surplus, end of period	6,969	6,969	7,835	7,835	7,662	7,662

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	5,982	5,425	5,206	(557)	(776)
Professional and special services	1,153	1,193	542	40	(611)
Travel	408	393	234	(15)	(174)
Memberships in Int'l Organizations	340	313	309	(27)	(31)
Assessment Services	262	413	358	151	96
Office Supplies	248	243	207	(5)	(41)
Office Accomodation	206	219	130	13	(76)
Amortization	106	138	123	32	17
Bad Debt Expense	48	-	(5)	(48)	(53)
Conferences & Events	45	101	38	56	(7)
Hospitality	38	75	20	37	(18)
Training and Development	32	62	60	30	28
Insurance	31	37	33	6	2
Telecommunications & Postage	24	33	29	9	5
Offsite Storage & Other	24	25	28	1	4
Publications & Printing	14	14	19	-	5
Bank Charges	11	17	15	6	4
Repair & Upkeep	11	17	14	6	3
Rental of Office Equipment	2	4	4	2	2
Public Relations	-	-	-	-	-
Total Expenses	8,985	8,722	7,364	(263)	(1,621)

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	11,571	10,713	10,327	(858)	(1,244)
Professional and special services	1,967	2,468	1,116	501	(851)
Travel	1,039	849	386	(190)	(653)
Assessment Services	759	857	802	98	43
Memberships in Int'l Organizations	667	625	617	(42)	(50)
Office Supplies	457	469	415	12	(42)
Office Accomodation	374	438	295	64	(79)
Amortization	212	282	244	70	32
Conferences & Events	138	185	50	47	(88)
Training and Development	81	126	131	45	50
Hospitality	65	128	24	63	(41)
Insurance	59	74	64	15	5
Bad Debt Expense	49	-	(10)	(49)	(59)
Telecommunications & Postage	46	64	61	18	15
Offsite Storage & Other	46	47	51	1	5
Repair & Upkeep	33	36	34	3	1
Bank Charges	30	35	30	5	-
Publications & Printing	28	27	32	(1)	4
Rental of Office Equipment	6	8	8	2	2
Public Relations	-	-	1	-	1
Total Expenses	17,627	17,431	14,678	(196)	(2,949)

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 End September 30

(in thousands of dollars)

	2023 - 2024		2022 - 2023	
	Q2	Year-to-date	Q2	Year-to-date
Total Annual Surplus/ (Deficit)	(1,220)	(1,181)	(597)	(395)
Acquisition of tangible capital assets	(173)	(173)	(14)	(42)
Disposal of tangible capital assets	2	2	1	1
Amortization of tangible capital assets	107	212	123	244
Acquisition of prepaid expense	(401)	(1,116)	(461)	(919)
Use of prepaid expense	738	1,529	728	1,360
(Decrease) / Increase in Net Financial Assets	(947)	(727)	(220)	249
Net Financial Assets, beginning of period	6,435	6,215	5,534	5,065
Net Financial Assets, end of period	5,488	5,488	5,314	5,314

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

Statement of Cash Flows - unaudited

For the Period End September 30

(in thousands of dollars)

	2023 - 2024		2022 - 2023	
	Q2	Year-to-date	Q2	Year-to-date
Net Cash from Operations				
Deficit for the period	(1,220)	(1,181)	(597)	(395)
Adjustments for non-cash items:				
amortization of tangible capital assets	107	212	123	244
Changes in:				
accounts receivable	159	1,184	456	2,805
prepaid expense	336	412	267	441
payables and accrued liabilities	(1,248)	(1,412)	(1,464)	(967)
deferred revenues	(901)	1,768	(291)	2,870
deferred contributions	(14)	(16)	8	7
Cash (used by) / provided by operations	(2,781)	967	(1,498)	5,005
Capital transactions:				
Acquisition of tangible capital assets	(173)	(173)	(14)	(42)
Proceeds from disposal of tangible capital assets	3	3	1	1
Cash used by capital transactions	(170)	(170)	(13)	(41)
Cash applied to financing transactions	-	-	-	-
(Decrease)/Increase in Cash and Cash Equivalents	(2,951)	797	(1,511)	4,964
Cash and cash equivalents, beginning of period	9,134	5,386	11,598	5,123
Cash and cash equivalents, end of period	6,183	6,183	10,087	10,087

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, 2023

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, 2023, SCC's cash and cash equivalents balance of \$6.2 million that consisted of \$4.6 million term-deposits and \$1.6 million of cash (September 30, 2022, was \$10.1 million and consisted of \$9.0 million term-deposits and \$1.1 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 for 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 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, 2023, the allowance for bad debts is estimated at \$92 thousand (September 30, 2022 was \$26 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, 2023 (\$000's)	Furniture	Equipment	Leasehold Improv.	Under Construction*	Total
<u>Cost</u>					
Begin: April 1, 2023	743	2,602	1,190	97	4,632
Additions	-	70	-	103	173
Transfers	-	-	-	-	-
Disposals	-	(221)	-	-	(221)
End: September 30, 2023	743	2,451	1,190	200	4,584
<u>Accumulated Amortization</u>					
Begin: April 1, 2023	(713)	(1,950)	(554)	-	(3,217)
Amortization	(13)	(157)	(42)	-	(212)
Disposals	-	219	-	-	219
End: September 30, 2023	(726)	(1,888)	(596)	-	(3,210)
Net Book Value, September 30, 2023	17	563	594	200	1,374

**Capital Assets under construction at September 30, 2023 were not being amortized and were related to software development (equipment).*

September 30, 2022 (\$000's)	Furniture	Equipment	Leasehold Improv.	Under Construction*	Total
Cost					
Begin: April 1, 2022	738	2,628	1,162	55	4,583
Additions	-	28	-	14	42
Transfers	-	-	-	-	-
Disposals	-	(192)	-	-	(192)
End: September 30, 2022	738	2,464	1,162	69	4,433
Accumulated Amortization					
Begin: April 1, 2022	(684)	(1,756)	(473)	-	(2,913)
Amortization	(14)	(190)	(40)	-	(244)
Disposals	-	191	-	-	191
End: September 30, 2022	(698)	(1,755)	(513)	-	(2,966)
Net Book Value, September 30, 2022	40	709	649	69	1,467

*Capital Assets under construction at September 30, 2022 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, 2023 (\$000's)			
	Office Space	Office Equipment	Standardization Initiatives	Total
2023-2024	232	1	4,764	4,997
2024-2025	465	3	809	1,277
2025-2026	491	1	102	594
2026-2027	518	-	-	518
2027-2028	518	-	-	518
thereafter	1,295	-	-	1,295
	3,519	5	5,675	9,199

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

At September 30, 2023, \$9.2 million of contractual commitments were in place (September 30, 2022 was \$7.6 million).

10. Related Party Transactions

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

<u>Sept 30 (\$000's)</u>	<u>2023</u>	<u>2022</u>
Revenue	1,052	513
Parliamentary Appropriations	8,947	8,515
Expenses	91	20
Federal government departments and agencies receivable and parliamentary appropriations receivable	777	864
Accounts payable and accrued liabilities	5	-

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 to results. Budget data presented in these statements is developed based upon the 2023-2024 to 2027-2028 Corporate Plan and reviewed by the Governing Council.

A reconciliation to Budget from Corporate Plan for 2023-2024:

Account Description ('000s)	FY2023-24	
	Corp Plan	Budget
Accreditation Revenue	9,261	9,132
Other Income and revenues	8,703	8,633
TOTAL REVENUE FROM OPERATIONS	17,964	17,764
EXPENDITURES		
Salaries and Benefits	20,315	21,715
Canadian Delegate Financial Support	700	560
Conferences and Event Expenses	143	384
Professional Fees	8,331	7,059
Travel Nonrecoverable	729	1,220
Travel Recoverable	273	533
Other expenses	6,623	6,545
TOTAL OPERATING EXPENDITURES	37,113	38,015
SURPLUS/ (DEFICIT) FROM OPERATIONS	(19,148)	(20,251)
Parliamentary Appropriation	17,806	17,774
TOTAL SURPLUS/ (DEFICIT)	(1,343)	(2,477)