



QUARTERLY FINANCIAL PERFORMANCE

Unaudited

For the period ended December 31, 2023



Standards
Council
of Canada

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Canada

STANDARDS COUNCIL OF CANADA
QUARTERLY FINANCIAL PERFORMANCE
For the period ended December 31, 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.



Chief Executive Officer



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

Ottawa, Canada
February 29, 2024

Management Discussion and Analysis

Highlights of Year-to-date Q3 Results

Financial Overview - unaudited

For the Period Ended December 31

(in thousands of dollars)

	For the quarter,			For the year-to-date,		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year
Revenue from Operations	4,269	3,902	3,087	11,768	11,448	8,855
Expenses						
Accreditation Services	2,029	1,952	1,952	6,154	5,856	5,439
Standards Solutions & Strategy	3,925	4,318	3,565	10,811	11,784	8,676
Management & Administrative	3,427	3,126	3,471	10,043	9,187	9,551
Total Expenses	9,381	9,396	8,988	27,008	26,827	23,666
Deficit before Appropriations	(5,112)	(5,494)	(5,901)	(15,240)	(15,379)	(14,811)
Parliamentary Appropriation	4,662	4,451	3,936	13,609	13,322	12,451
Total Deficit for the period	(450)	(1,043)	(1,965)	(1,631)	(2,057)	(2,360)

Standards Council of Canada (SCC) ended its third quarter with a year-to-date deficit of \$1.6 million, which was \$0.5 million lower than its planned year-to-date deficit of \$2.1 million and was \$0.8 million lower than the prior year's third quarter-to-date deficit of \$2.4 million. The budgeted deficits for the quarter (\$1.0 million) and the full year (\$2.5 million) represent the re-balancing of a temporary build up within SCC's accumulated surplus. Both planned and actual deficits are the unavoidable result of timing differences for contractual commitments carried over from the ramping up of spending against prior year programming that had late funding approvals. These deficits were approved by SCC's governing Council as part of SCC's current Corporate Plan. The current year actuals to budget variance through December 31 was primarily due to timing on deliverables.

Revenue from operations through December 31st was \$11.8 million, which was \$0.3 million higher than planned revenue of \$11.5 million for the same time period. Year-to-date revenue was also \$2.9 million higher than the \$8.9 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 \$7.4 million was \$0.3 million higher than planned revenue of \$7.1 million and \$0.6 million higher than the \$6.8 million recognized for the same period last year. Revenue over plan is the result of increased assessment engagements and a higher proportion of recoverable travel costs as a component of revenue.

- Royalties revenue was \$1.4 million, which was on par with both year-to-date plan and prior year-to-date actual results of \$1.4 million. 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 \$3.0 million, which was on track to budget of \$3.0 million and \$2.4 million higher than prior year revenues of \$0.6 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.

Operating expenses through December 31th were \$27.0 million. These expenses were \$0.2 million higher than planned expenses of \$26.8 million and were \$3.3 million higher than last year's third quarter-to-date operating expenses of \$23.7 million.

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

- \$1.1 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%). This variance was partially offset by,
- \$0.8 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; and,
- \$0.1 million of lower than planned spending across all other expense categories, with no significant concentration of variance within any single expense category.

The operating expenses increase versus prior year of \$3.3 million was driven by:

- \$1.5 million of higher Salaries & Benefits driven by fewer than expected staff vacancies and the timely filling of planned positions.
- \$1.0 million of additional professional services consistent with planned activities and budget for the year, and
- \$0.8 million of higher travel and meeting costs associated with increased travel post-pandemic.

Through December 31, 2023, SCC has recognized \$13.6 million in parliamentary appropriations, which was slightly higher than budget of \$13.3 million and \$1.1 million higher than the \$12.5 million recorded last year. The variances to budget and prior year are due to the planned annual funding profiles from several approved programs including:

- \$1.3 million increase for the Data Governance Program, partially offset by,
- \$0.1 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)

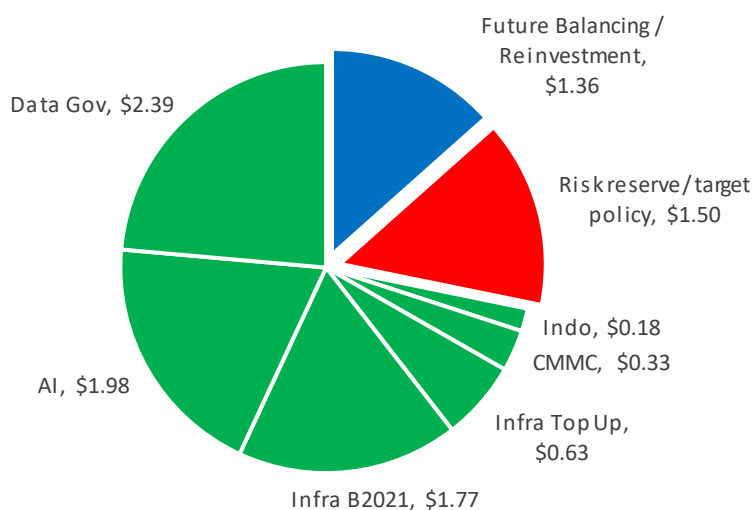
	December 31, 2023	March 31, 2023
Assets		
Total Financial Assets	10,256	10,669
Total Liabilities	4,670	4,454
Net Financial Assets	5,586	6,215
Total Non-Financial Assets	1,801	2,801
Accumulated Surplus	7,387	9,016

SCC's Net Financial Assets at the end of its third quarter were \$5.6 million, which was \$0.6 million lower than March 31, 2023. There was a \$0.4 million decrease in Total Financial Assets that was driven by \$0.8 million more in collections of receivables offset by a lesser increase in cash of only \$0.4 million. The \$0.8 million of collections of receivables were primarily for program funding that was approved late last fiscal year and collected during the first half of this fiscal year. Liabilities increased by \$0.2 million which was caused by \$0.9 million of more deferred revenues offset by \$0.7 million of less payables and accrued liabilities. The growth in deferred revenue 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.

At December 31, SCC's Accumulated Surplus was \$7.4 million which was a \$1.6 million decrease from the prior fiscal year-end and was a result of SCC's year-to-date deficit that was consistent with 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 "strategic reinvestment component" for IM/IT modernization and security, as well as the staffing required for future programs where the funding has already been received. SCC estimates that these carryovers will account for \$7.2 million of SCC's forecasted year-ending accumulated surplus of \$10.1 million. SCC is also required to maintain a \$1.5 million reserve for risk as per its Accumulated Surplus Target Policy. The remaining 2023-2024 balance is fully spent to maintain current operational levels and offset inflationary pressures over the next 6 – 12 months leaving little capacity to invest against future opportunities as they arise.

Forecasted Accumulated Surplus Details (\$10.1M)



Risks and Uncertainties: Q3 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 third quarter continued to be:

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

Contrary to SCC's apparently high Accumulated Surplus balance, financial pressures from 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. During the quarter, SCC continued to monitor its request for additional government funding and has responded to several requests for information to support the decision-making process.

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. Action plans are in place to address any medium or high cyber security risks. SCC's IM/IT maintained its vigilance during the quarter by continuing its deployment of phishing exercises and by participating in a simulated cyber security event. Learnings from these activities are shared and incorporated into ongoing procedures.

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 third quarter, SCC focused on maintaining mitigation plans for the risk of losing key personnel and a potential decline in technical committee volunteers. SCC's employee engagement survey was launched with staff and while survey responses were confidential, its participation rates were tracked and had recorded as very high. Results will be reviewed, interpreted and shared with staff and Council before the end of the year.

With respect 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 its "A-base" and revenue-based programming and services. SCC completed an amendment to its 2023-2024 to 2027-2028 Corporate Plan as well as finalizing its proposed 2024-2025 to 2028-2029 Corporate Plan.

Accreditation Services' revenue results were ahead of budget through December 31; as were recoverable travel costs with the return of post pandemic travel. 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. 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:	December 31, 2023	March 31, 2023
Assets		
Financial Assets		
Cash and cash equivalents	5,814	5,386
Accounts receivable	4,442	5,283
Total Financial Assets	10,256	10,669
Liabilities		
Accounts payable and accrued liabilities	811	1,598
Salaries and benefits payable	1,947	1,738
Deferred contributions	87	136
Deferred revenue	1,274	369
Deferred lease inducement	551	613
Total Liabilities	4,670	4,454
Net Financial Assets	5,586	6,215
Non-Financial Assets		
Prepaid expenses	386	1,386
Tangible Capital Assets (Net)	1,415	1,415
Total Non-Financial Assets	1,801	2,801
Accumulated Surplus	7,387	9,016

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

Statement of Operations- unaudited

For the Period Ended December 31

(in thousands of dollars)

	2023 - 2024 Budget		2023 - 2024 Actual		2022 - 2023 Actual	
	Q3	Year-to-date	Q3	Year-to-date	Q3	Year-to-date
Revenues from Operations						
Accreditation Revenue	2,379	7,104	2,438	7,427	2,351	6,641
SCC eStore	524	1,421	363	1,439	482	1,372
Delegate Support Contributions	-	-	32	48	25	30
Innovative Services	931	2,762	1,293	2,416	88	492
Other Income	68	161	143	438	141	320
Total Revenue from Operations	3,902	11,448	4,269	11,768	3,087	8,855
Expenses						
Accreditation Services	1,952	5,856	2,029	6,154	1,952	5,439
Standards Solutions & Strategy	4,318	11,784	3,925	10,811	3,565	8,676
Management & Administrative Services	3,126	9,187	3,427	10,043	3,471	9,551
Total Expenses	9,396	26,827	9,381	27,008	8,988	23,666
Deficit before Appropriations	(5,494)	(15,379)	(5,112)	(15,240)	(5,901)	(14,811)
Parliamentary Appropriation	4,451	13,322	4,662	13,609	3,936	12,451
Total Deficit for the Period	(1,043)	(2,057)	(450)	(1,631)	(1,965)	(2,360)
Accumulated Surplus, beginning of period	6,969	7,983	7,835	9,016	7,662	8,057
Accumulated Surplus, end of period	5,926	5,926	7,385	7,385	5,697	5,697

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

Expenses- unaudited

For the Period End December 31

(in thousands of dollars)

	For the quarter ended			Quarter Actuals vs	
	▼ Actual	Budget	Prior Year	Budget	Prior Year
Expenses					
Salaries & Employee Benefits	5,682	5,392	5,470	(290)	(212)
Professional and special services	1,527	1,782	1,342	255	(185)
Travel	588	473	458	(115)	(130)
Assessment Services	360	421	394	61	34
Memberships in Int'l Organizations	325	314	316	(11)	(9)
Office Supplies	252	290	296	38	44
Office Accomodation	206	219	212	13	6
Conferences & Events	129	74	116	(55)	(13)
Amortization	112	145	123	33	11
Training and Development	111	84	45	(27)	(66)
Insurance	31	34	29	3	(2)
Offsite Storage & Other	25	24	28	(1)	3
Telecommunications & Postage	23	30	28	7	5
Publications & Printing	15	19	17	4	2
Bank Charges	15	18	16	3	1
Repair & Upkeep	10	18	15	8	5
Hospitality	9	55	86	46	77
Rental of Office Equipment	3	4	5	1	2
Bad Debt Expense	(42)	-	(8)	42	34
Total Expenses	9,381	9,396	8,988	15	(393)

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

Expenses- unaudited

For the Period End December 31

(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	17,253	16,105	15,797	(1,148)	(1,456)
Professional and special services	3,494	4,250	2,458	756	(1,036)
Travel	1,627	1,322	844	(305)	(783)
Assessment Services	1,119	1,278	1,196	159	77
Memberships in Int'l Organizations	992	939	933	(53)	(59)
Office Supplies	709	759	711	50	2
Office Accomodation	580	657	507	77	(73)
Amortization	324	427	367	103	43
Conferences & Events	267	259	166	(8)	(101)
Training and Development	192	210	176	18	(16)
Insurance	90	108	93	18	3
Hospitality	74	183	110	109	36
Offsite Storage & Other	71	71	79	-	8
Telecommunications & Postage	69	94	89	25	20
Bank Charges	45	53	46	8	1
Publications & Printing	43	46	50	3	7
Repair & Upkeep	43	54	49	11	6
Rental of Office Equipment	9	12	13	3	4
Bad Debt Expense	7	-	(18)	(7)	(25)
Total Expenses	27,008	26,827	23,666	(181)	(3,342)

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 December 31

(in thousands of dollars)

	2023 - 2024		2022 - 2023	
	Q3	Year-to-date	Q3	Year-to-date
Total Annual Surplus/ (Deficit)	(450)	(1,631)	(1,965)	(2,360)
Acquisition of tangible capital assets	(154)	(327)	(79)	(121)
Disposal of tangible capital assets	1	3	-	1
Amortization of tangible capital assets	112	324	123	367
Acquisition of prepaid expense	(156)	(1,272)	(903)	(1,822)
Use of prepaid expense	745	2,274	779	2,139
Increase / (Decrease) in Net Financial Assets	98	(629)	(2,045)	(1,796)
Net Financial Assets, beginning of period	5,488	6,215	5,314	5,065
Net Financial Assets, end of period	5,586	5,586	3,269	3,269

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

Statement of Cash Flows - unaudited

For the Period End December 31

(in thousands of dollars)

	2023 - 2024		2022 - 2023	
	Q3	Year-to-date	Q3	Year-to-date
Net Cash from Operations				
Deficit for the period	(450)	(1,631)	(1,965)	(2,360)
Adjustments for non-cash items:				
amortization of tangible capital assets	112	324	123	367
Changes in:				
accounts receivable	(341)	843	(27)	2,778
prepaid expense	588	1,000	(124)	317
payables and accrued liabilities	834	(578)	3,278	2,311
deferred revenues	(925)	843	(502)	2,368
deferred contributions	(33)	(49)	(32)	(25)
Cash (used by) / provided by operations	(215)	752	751	5,756
Capital transactions:				
Acquisition of tangible capital assets	(154)	(327)	(79)	(121)
Disposal of tangible capital assets	-	3	-	1
Cash used by capital transactions	(154)	(324)	(79)	(120)
Cash applied to financing transactions	-	-	-	-
(Decrease)/Increase in Cash and Cash Equivalents	(369)	428	672	5,636
Cash and cash equivalents, beginning of period	6,183	5,386	10,087	5,123
Cash and cash equivalents, end of period	5,814	5,814	10,759	10,759

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 December 31, 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 December 31, 2023, SCC's cash and cash equivalents balance of \$5.8 million that consisted of \$5.1 million term-deposits and \$0.7 million of cash (December 31, 2022, was \$10.8 million and consisted of \$9.5 million term-deposits and \$1.3 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 December 31, 2023, the allowance for bad debts is estimated at \$49 thousand (December 31, 2022 was \$14 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

<u>December 31, 2023 (\$000's)</u>	<u>Furniture</u>	<u>Equipment</u>	<u>Leasehold Improv.</u>	<u>Under Construction</u>	<u>Total</u>
<u>Cost</u>					
Begin: April 1, 2023	743	2,602	1,190	97	4,632
Additions	-	141	16	170	327
Transfers	-	-	-	-	-
Disposals	-	(301)	-	-	(301)
End: December 31, 2023	743	2,442	1,206	267	4,658
<u>Accumulated Amortization</u>					
Begin: April 1, 2023	(713)	(1,950)	(554)	-	(3,217)
Amortization	(20)	(240)	(64)	-	(324)
Disposals	-	298	-	-	298
End: December 31, 2023	(733)	(1,892)	(618)	-	(3,243)
Net Book Value, December 31, 2023	10	550	588	267	1,415

**Capital Assets under construction at December 31, 2023 were not being amortized and were related to software development (equipment).*

December 31, 2022 (\$000's)	Furniture	Equipment	Leasehold Improv.	Under Construction*	Total
<u>Cost</u>					
Begin: April 1, 2022	738	2,628	1,162	55	4,583
Additions	-	40	-	81	121
Transfers	-	-	-	-	-
Disposals	-	(192)	-	-	(192)
End: December 31, 2022	738	2,476	1,162	136	4,512
<u>Accumulated Amortization</u>					
Begin: April 1, 2022	(684)	(1,756)	(473)	-	(2,913)
Amortization	(22)	(285)	(60)	-	(367)
Disposals	-	191	-	-	191
End: December 31, 2022	(706)	(1,850)	(533)	-	(3,089)
Net Book Value, December 31, 2022	32	626	629	136	1,423

*Capital Assets under construction at December 31, 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.

	December 31, 2023 (\$000's)			
	Office Space	Office Equipment	Standardization Initiatives	Total
2023-2024	116	1	5,267	5,384
2024-2025	465	3	1,751	2,219
2025-2026	491	1	619	1,111
2026-2027	518	-	38	556
2027-2028	518	-	-	518
thereafter	1,294	-	-	1,294
	3,402	5	7,675	11,082

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

At December 31, 2023, \$11.1 million of contractual commitments were in place (December 31, 2022 was \$7.9 million).

10. Related Party Transactions

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

<u>Dec 31 (\$000's)</u>	<u>2023</u>	<u>2022</u>
Revenue	2,156	868
Parliamentary Appropriations	13,609	12,451
Expenses	112	76
Federal government departments and agencies receivable and parliamentary appropriations receivable	1,235	787
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)