

Annual Report

Delivering Value Together



18/19



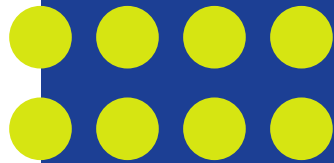
Standards Council of Canada
Conseil canadien des normes

Canada 



SECTION 09

Financial Performance



In this Section:

- 97 Financial Introduction
- 100 Financial Overview
- 101 Enterprise Risk Management Assessment
- 103 Independent Auditor's Report
- 111 Notes to the Financial Statements

Financial Introduction

In 2018–2019, SCC's total revenue (excluding federal government funding) was \$11.0 million, which was 5 per cent higher than the \$10.5 million recorded during 2017–2018. The increase from last year was primarily due to an increase of \$0.5 million in royalty revenues from the sale of standards and an increase of \$0.1 million in Other Income.

Royalties from the sale of standards totalled \$2.1 million, which was an increase of 31 per cent from last year's \$1.6 million. This increase is consistent with a multi-year upward trend on the sales on standards, albeit at a higher rate this year ended. These revenues are subject to fluctuation due to changes in standards as well as overall economic activity.

Revenue from innovative services, delegate support and other income amounted to \$1.1 million, which increased by \$0.2 million or 22 per cent from the \$0.9 million recognized during the prior fiscal year. This increase was due to an unanticipated re-distribution of \$0.3 million from the International Organization for Standardization (ISO) related to accumulated surplus. Partially offsetting this increase, was a \$0.2 million decline in one-time contributions that SCC received last year for hosting the Pacific Area Standards Congress (PASC), the

Pan American Standards Commission (COPANT) and ISO's Committee on Conformity Assessment (CASCO) meetings in Vancouver. Delegate support contributions were \$0.4 million and were consistent to prior year.

Revenue from Accreditation Services fees was \$7.9 million, which was 1 per cent lower than the \$8.0 million recorded during 2017–2018. Assessment-related revenue was \$4.0 million from over 480 assessment activities performed during 2018–2019. Last year's accreditation revenue was \$3.8 million from 460 activities. The increased assessment activity helped to offset a reduction in the participation rate within SCC's program for Canadian Medical Devices Conformity Assessment System (CMDCAS). Since last year, Annual Fees and Application Fees revenue decreased by \$0.2 million; primarily due to customer and customer profile changes.



“Royalties from the sale of standards totalled \$2.1 million, which was an increase of 31 per cent from last year's \$1.6 million.”

Expenses for 2018–2019 were \$26.7 million, which was \$2.8 million higher than last fiscal year's expenses of \$23.9 million. Year-over-year increases were related to:

- \$1.4 million for the write-down of an asset resulting from an independent assessment of the functionality of SCC's Business Management Solution (BMS) software project;
- \$0.8 million professional fees for consulting related to program spending for the Infrastructure, Innovation, and IM-IT modernization projects;
- \$0.3 million amortization due to IM-IT and facilities modernization implementation;
- \$0.2 million staffing (salaries, benefits and training) related to filling anticipated program positions; and
- \$0.1 million from all other expenses, primarily due to increased engagement costs and travel associated with increased participation in standards related meetings and events.

Through March 31, 2019, SCC has recognized \$18.0 million in Parliamentary Appropriations which is \$4.1 million higher than 2017-2018 appropriations of \$13.8 million. The year-over-year funding changes are as follows:

- \$2.0 million for SCC's "New Intellectual Property Strategy" (IP);
- \$1.4 million for "Infrastructure: Adapting Infrastructure to Climate Change";
- \$0.8 million for SCC's Innovation project that is part of "Canada's Innovation and Skills Plan";
- \$0.1 million for "Ensuring Security & Prosperity in the Digital Age" (Cybersecurity); and
- -\$0.2 million from current year one-time reimbursements.

The overall net annual surplus of \$2.3 million during 2018–2019 was \$2.5 million higher than the \$0.2 million deficit budgeted for the same timeframe due to the following:

- \$1.9 million from late funding received for SCC's IP and Cybersecurity projects. These initiatives were not included as part of SCC's budget and approval for the programs occurred during the fourth quarter, causing deferrals of spending into future fiscal periods that SCC is managing through its accumulated surplus.
- \$0.9 million from incremental, unplanned revenue. Royalties were \$0.6 million higher than budget and SCC received other income from ISO for the redistribution of its excess prior year surplus.
- \$0.8 million from Salaries and Benefits, excluding reimbursable one-time costs due to unplanned vacancies and a longer than expected duration to fill positions (some were senior management level vacancies).
- \$0.5 million from Professional fees, due primarily to a decision to re-prioritize the use of funding for software within SCC's Infrastructure initiative. These savings have been re-tasked within the Infrastructure initiative and will now occur in future fiscal periods.
- -\$1.4 million for the write-down of BMS and,
- -\$0.2 million from all other expenses, primarily due to increased engagement costs and travel associated with increased participation in standards related meetings and events.

At March 31, 2019, SCC's accumulated surplus was \$6.6 million. \$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 each of the next five years of its Corporate Plan to reflect the catch-up of spending against projects such as Intellectual Property, Cybersecurity, Innovation and Infrastructure.

Financial Overview 2014–2015 to 2018–2019

FINANCIAL OVERVIEW	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019 BUDGET	2018-2019 ACTUAL
REVENUE						
Accreditation fees	6,689,077	7,288,407	7,750,273	8,008,784	7,749,911	7,867,962
Royalties from standards sales	1,032,148	1,397,631	1,234,018	1,578,477	1,400,000	2,064,385
Innovative services	405,140	385,346	311,108	227,087	341,004	284,454
Delegate support contributions	143,000	185,591	342,454	407,686	380,000	359,997
Other income	281,151	263,170	187,326	326,045	151,720	451,155
	8,550,516	9,520,145	9,825,179	10,548,079	10,022,635	11,027,953
EXPENSES (RESTATED)						
Accreditation services	4,751,161	5,090,102	5,458,679	5,770,228	5,775,206	5,987,870
Standards solution & strategy	8,008,512	7,419,560	8,350,050	9,080,271	10,959,209	10,280,101
Management & administrative services	7,663,053	8,129,030	8,020,916	9,089,755	8,462,220	10,548,706
	20,422,726	20,638,692	21,829,645	23,940,254	25,196,635	26,726,677
SURPLUS / (DEFICIT) FROM OPERATIONS	(11,872,210)	(11,118,547)	(12,004,466)	(13,392,175)	(15,174,000)	(15,698,724)
GOVERNMENT FUNDING						
Parliamentary appropriations	12,889,535	10,194,937	10,515,380	13,828,495	14,943,000	17,973,672
Annual Surplus / (Deficit)	1,017,325	(923,610)	(1,489,086)	436,320	(231,000)	2,274,948

Enterprise Risk Management Assessment

SCC's overall risks are annually 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.

Corporate risks are linked directly to the organization's performance. These indicators are closely monitored and updated using SCC's corporate risk report. This report is updated and regularly reviewed by both management and

SCC's Governing Council. As part of SCC's risk management plan, the organization also reviews salient quarterly financial impacts, with a view to assessing these impacts against ongoing corporate risk areas.

During fiscal year 2018-2019, SCC's key areas of focus included:



- disciplined execution against key strategic objectives in support of key Government of Canada initiatives;



- continued implementation of an integrated information management/information technology (IM-IT) modernization program; and
- managing the work-plan of SCC to achieve program deliverables within financial targets

SCC experienced a surplus in funds because of a delay in anticipated spending which added to the existing accumulated surplus. This is primarily because of late-in-the-year approval of temporary program funding; however this surplus will be re-invested over the next five years as indicated in the Corporate Plan and closely monitored to ensure key financial targets are being met.

SCC remains focused on carefully monitoring the delivery of its IM-IT to upgrade essential tools needed to effectively deliver on key areas of SCC's objectives. IM-IT is also focused on an improved collaboration hub for standards development, as it continues to upgrade its IM-IT processes.

Accreditation Services' revenue results finished on plan for the year. This was achieved by managing the completion of accreditation activity, and diligent management of operating expenses. The Accreditation Services branch closely monitors its activities and adjusts as needed to achieve its bottom-line target for the year.

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 in accordance with SCC's mandate as stated in the *Standards Council of Canada Act*.



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

Ottawa, Canada | June 13, 2019

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.



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



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Innovation, Science and Economic Development

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Standards Council of Canada (the SCC), which comprise the statement of financial position as at 31 March 2019, and the statement of operations, statement of changes in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SCC as at 31 March 2019, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SCC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Financial Performance section included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the SCC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SCC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SCC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SCC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SCC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SCC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Standards Council of Canada coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Standards Council of Canada Act* and regulations, the by-laws of the Standards Council of Canada, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Standards Council of Canada that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Standards Council of Canada's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Standards Council of Canada to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Nathalie Chartrand, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
13 June 2019

Statement of Financial Position

AS AT MARCH 31,	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 6,560,363	\$ 2,207,000
Accounts receivable (Note 4)	2,410,233	2,025,311
Federal government departments and agencies receivable (Note 15)	147,803	166,527
Parliamentary appropriations receivable (Note 15)	899,672	1,043,495
	10,018,071	5,442,333
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,451,313	2,786,909
Deferred contributions (Note 7)	15,249	14,436
Deferred revenue (Note 8)	1,691,967	1,601,603
Deferred lease inducement (Note 9)	883,516	960,341
	6,042,045	5,363,289
NET FINANCIAL ASSETS	3,976,026	79,044
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	1,860,748	3,053,639
Prepaid expenses	724,312	1,153,455
	2,585,060	4,207,094
Accumulated Surplus	\$ 6,561,086	\$ 4,286,138

Contractual rights (Note 13)
Contractual commitments (Note 14)

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

Approved by Governing Council:



Kathy Milsom, P.Eng., ICD.D

Chair

Approved by Management:



Chantal Guay, ing., P.Eng.

Chief Executive Officer

Statement of Operations

FOR THE YEAR ENDED MARCH 31	2019 Budget (Note 16)	2019	2018
REVENUES FROM OPERATIONS			
Accreditation services fees	\$ 7,749,911	\$ 7,867,962	\$ 8,008,784
Royalties from sales of standards (Note 10)	1,400,000	2,064,385	1,578,477
Delegate support contributions	380,000	359,997	407,686
Innovation services	341,004	284,454	227,087
Other income	151,720	451,155	326,045
	10,022,635	11,027,953	10,548,079
EXPENSES (NOTE 12)			
Accreditation Service	5,775,206	5,897,870	5,770,228
Standards Solution & Strategy	10,959,209	10,280,101	9,080,271
Management & Administrative Services	8,462,220	10,548,706	9,089,755
	25,196,635	26,726,677	23,940,254
DEFICIT BEFORE PARLIAMENTARY APPROPRIATIONS	(15,174,000)	(15,698,724)	(13,392,175)
Parliamentary appropriations	14,943,000	17,973,672	13,828,495
SURPLUS / (DEFICIT)	(231,000)	2,274,948	436,320
Accumulated Surplus, beginning of the year	2,699,000	4,286,138	3,849,818
Accumulated Surplus, end of the year	\$ 2,468,000	\$ 6,561,086	\$ 4,286,138

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

Statement of Changes in Net Financial Assets

FOR THE YEAR ENDED MARCH 31	2019 Budget (Note 16)	2019	2018
Total (Deficit)/Surplus	\$ (231,000)	\$ 2,274,948	\$ 436,320
Acquisition of tangible capital assets	(1,186,000)	(825,659)	(690,040)
Loss on disposal of tangible capital assets	-	636	5,822
Write-down of tangible capital assets	-	1,360,871	-
Amortization of tangible capital assets	920,000	657,043	390,360
(Increase) / Decrease in prepaid expenses	(12,000)	429,143	42,127
Increase / (Decrease) in Net Financial Assets	(509,000)	3,896,982	184,589
Net Financial Assets / (Net Debt) at the beginning of the year	(1,614,000)	79,044	(105,545)
Net Financial Assets / (Net Debt) at end of year	\$ (2,123,000)	\$ 3,976,026	\$ 79,044

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

Statement of Cash Flow

FOR THE YEAR ENDED MARCH 31	2019	2018
NET CASH FROM OPERATIONS:		
Total Surplus	\$ 2,274,948	\$ 436,320
Adjustments for non-cash items:		
Amortization of tangible capital assets	657,043	390,360
Loss on disposal of tangible capital assets	636	5,822
Write-down of tangible capital assets	1,360,871	0
Changes in:		
Prepaid expense	429,143	42,127
Deferred revenue	90,364	(532,156)
Deferred lease inducement	(76,825)	(76,827)
Accounts receivable	(384,922)	1,690,522
Federal government departments and agencies receivable	18,724	263,981
Parliamentary appropriations receivable	143,823	(802,115)
Accounts payable and accrued liabilities	725,971	(324,272)
Deferred contributions	813	(70,338)
Cash provided by operating transactions	5,240,589	1,023,424
CAPITAL TRANSACTIONS:		
Additions of tangible capital assets	(887,226)	(573,640)
Cash applied to capital transactions	(887,226)	(573,640)
Net increase in cash and cash equivalents	4,353,363	449,784
Cash and cash equivalents, beginning of the year	2,207,000	1,757,216
Cash and cash equivalents, end of the year	\$ 6,560,363	\$ 2,207,000

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

Notes to the Financial Statements

March 31, 2019

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 premier 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. Effective April 2016, SCC completed the alignment 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 strategies 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 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 (FAA)* and any directives issued pursuant to the FAA. 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, 2019, SCC's cash and cash equivalents balance of \$6,560,363 consisted of \$4,527,239 term-deposits and \$2,033,124 of cash (March 31, 2018 was \$2,207,000 and was all 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
2019	\$ 2,410,233	\$ 2,151,387	\$ 69,713	\$ 119,255	\$ 33,408	\$ 36,470
2018	\$ 2,025,311	\$ 1,694,178	\$ 141,245	\$ 105,690	\$ 7,874	\$ 76,324

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
2019	\$ 1,047,475	\$ 989,861	\$ 28,687	\$ 28,927	\$ 0	\$ 0
2018	\$ 1,210,022	\$ 1,101,627	\$ 38,204	\$ 11,320	\$ 31,546	\$ 27,325

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, 2019, the allowance for bad debts is estimated at \$36,474 (March 31, 2018 was \$75,421). The following table provides a reconciliation of the allowance for the year.

	MARCH 31, 2019	MARCH 31, 2018
Balance, beginning of year	\$ 75,421	\$ 118,942
(Reversals) / Charges for the year	(32,833)	(679)
Bad debt (write-offs)	(6,114)	(42,842)
Balance, end of year	\$ 36,474	\$ 75,421

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

March 31, 2019

	FURNITURE	EQUIPMENT	LEASEHOLD IMPROVEMENTS	2019 TOTAL
COST	\$	\$	\$	\$
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
ACCUMULATED AMORTIZATION				
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)
Net Book Value	280,259	685,657	894,832	1,860,748

The Equipment category includes \$302,284 of assets under development at March 31, 2019 which were not being amortized at the time. The additions of tangible capital assets in the Statement of Cash Flow are adjusted for 2017-2018 additions paid in 2018-2019 of \$116,400 and 2018-2019 additions unpaid in 2018-2019 of (\$54,833).

March 31, 2018

	FURNITURE	EQUIPMENT	LEASEHOLD IMPROVEMENTS	2018 TOTAL
COST	\$	\$	\$	\$
Opening Balance	917,855	3,337,321	934,436	5,189,612
Additions	2,082	668,158	19,800	690,040
Write-downs	-	-	-	-
Disposals	(9,704)	(45,894)	-	(55,598)
Closing Balance	910,233	3,959,585	954,236	5,824,054
ACCUMULATED AMORTIZATION				
Opening Balance	(566,376)	(1,756,915)	(106,540)	(2,429,831)
Amortization	(104,439)	(224,596)	(61,325)	(390,360)
Write-downs	-	-	-	-
Disposals	3,882	45,894	-	49,776
Closing Balance	(666,933)	(1,935,617)	(167,865)	(2,770,415)
Net Book Value	243,300	2,023,968	786,371	3,053,639

6. Accounts Payable and Accrued Liabilities

	MARCH 31, 2019	MARCH 31, 2018
Vendor payables and accrued liabilities	\$ 1,685,982	\$ 1,542,066
Salaries and benefits payable	1,551,844	1,049,242
Accrued vacation pay	213,487	195,601
	\$ 3,451,313	\$ 2,786,909

7. Deferred Contributions

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

	MARCH 31, 2019	MARCH 31, 2018
Balance, beginning of year	\$ 14,436	\$ 84,774
Add: Contributions received	360,810	326,950
Less: Contributions recognized	(359,997)	(397,288)
Net Contributions	813	(70,338)
Balance, End of Year	\$ 15,249	\$ 14,436

8. Deferred Revenue

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

	MARCH 31, 2019	MARCH 31, 2018
Balance, beginning of year	\$ 1,601,603	\$ 2,133,759
Add: Annual Fees collected per customer agreements	4,281,669	3,739,858
Less: Annual Fees recognized into revenue	(4,191,305)	(4,272,014)
Net Annual Fees	90,364	(532,156)
Balance, End of Year	\$ 1,691,967	\$ 1,601,603

9. Deferred Lease Inducement

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

	MARCH 31, 2019	MARCH 31, 2018
Balance, beginning of year	\$ 960,341	\$ 1,037,168
Add: Inducements received	-	-
Less: Inducements recognized	(76,825)	(76,827)
Net Inducement	(76,825)	(76,827)
Balance, End of Year	\$ 883,516	\$ 960,341

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, 2019	MARCH 31, 2018
SCC's contribution	\$ 1,086,624	\$ 1,127,424
Employees' contributions	\$ 1,038,050	\$ 970,174

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

	CALENDAR YEAR	
	2019	2018
EMPLOYEES (PRE 2013) – CURRENT SERVICE:		
- On earnings up to yearly maximum pensionable earnings (YMPE)	9.56%	9.83%
- On earnings exceeding YMPE: 2019-\$57,400 2018-\$55,900	11.78%	12.13%
EMPLOYEES (POST 2013) – CURRENT SERVICE:		
- On earnings up to yearly maximum pensionable earnings	8.68%	8.77%
- On earnings exceeding YMPE: 2019-\$57,400 2018-\$55,900	10.18%	10.46%
EMPLOYER - EXPRESSED AS A MULTIPLE OF EMPLOYEE CONTRIBUTIONS:		
- 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: 2019-\$169,300 2018-\$164,700	3.79	3.20

Employee Benefits:

For the year ended March 31, 2019, SCC paid \$862,350 for its employees' benefits plan (March 31, 2018 was \$823,288).

12. Expenses

	2019	2018
Salaries and employee benefits	13,803,755	13,567,503
Professional and special services	5,726,700	4,978,706
Travel	2,321,513	1,973,326
Write-down of tangible capital assets	1,360,870	0
Memberships in international organizations	1,239,914	1,219,291
Office accommodation	700,935	661,306
Amortization of premises and equipment	657,042	390,360
Conferences & events	158,252	250,660
Publications and printing	110,301	41,150
Office supplies	140,173	117,730
Telecommunications and postage	115,863	144,361
Offsite storage & other	85,826	85,016
Insurance	94,521	90,598
Hospitality	69,989	265,674
Repair & upkeep	63,001	63,378
Bank charges	51,750	52,520
Rental of office equipment	31,750	32,497
Loss on disposal of tangible capital assets	636	5,822
Public relations	0	1,035
Bad debts expense	(6,114)	(679)
	\$ 26,726,677	\$ 23,940,254

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, 2019 SCC had contractual rights to \$2,323,894 of uncollected annual fees pertaining to fiscal year 2019-2020 (March 31, 2018 was \$2,468,293 pertaining to fiscal year 2018-2019).

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 2019-2020 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 \$2.1 million which is SCC's average over the past three years of \$1.7 million adjusted for anticipated volume growth (March 31, 2018 expectation was \$1.4 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 (SDOs) to assist with standardization initiatives.

March 31, 2019

	OFFICE SPACE	OFFICE EQUIPMENT	STANDARDIZATION INITIATIVES	TOTAL
2019-2020	\$ 401,434	\$ 5,038	\$ 2,485,243	\$ 2,891,715
2020-2021	433,123	1,378	626,667	1,061,168
2021-2022	464,811	249	299,765	764,825
2022-2023	464,811	-	74,778	539,589
2023-2024	464,811	-	-	464,811
thereafter	3,285,403	-	-	3,285,403
Total	\$ 5,514,393	\$ 6,665	\$ 3,486,453	\$ 9,007,511

There are commitments of \$10,190 with related parties included in standardization initiatives in 2019-2020 (March 31, 2018 was \$86,819).

15. Related Party Transactions

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

	2019	2018
Revenues	829,414	673,611
Expenses	71,100	192,149
Parliamentary appropriations	17,973,672	13,828,495
Federal government departments and agencies receivable and parliamentary appropriations receivable	1,047,475	1,210,022
Accounts payable and accrued liabilities	45,002	18,338

Related party revenues were derived primarily from Accreditation services fees while expenses were primarily related to Professional and special services, and Travel.

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 2018-2019 budget is reflected in the Statements of Operations and the Statements of Changes in Net Financial Assets. Budget data presented in these financial statements is based upon the 2018-2019 figures contained within the 2018-2019 to 2022-2023 Corporate Plan which is approved by the Governing Council. The budget data includes minor reclassifications between revenues and expenses but agrees to the Surplus or Deficit contained in the Corporate Plan.