

Financial Statements of

SAFETY CODES COUNCIL

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Safety Codes Council

Opinion

We have audited the financial statements of Safety Codes Council (the "Council"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flow for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2020, its results of operations, its changes in net assets, remeasurement gains and losses 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Council 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.



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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Council'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Council 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

April 9, 2021

SAFETY CODES COUNCIL

Financial Statements

Year ended December 31, 2020

Financial Statements

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SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 991,493	\$ 1,786,960
Accounts receivable	978,031	568,918
Prepaid expenses and deposits	270,870	295,580
	<u>2,240,394</u>	<u>2,651,458</u>
Investments (note 2)	11,935,534	11,510,077
Capital assets (note 3)	2,822,031	2,612,344
	<u>\$ 16,997,959</u>	<u>\$ 16,773,879</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 617,296	\$ 769,393
Deferred revenue (note 4)	1,937,488	1,857,155
Current portion of deferred lease inducements (note 5)	206,723	165,951
	<u>2,761,507</u>	<u>2,792,499</u>
Deferred lease inducements (note 5)	1,309,245	1,217,971
Net assets:		
Sustainment and growth fund	6,543,097	7,050,233
Internally restricted (note 6)	3,987,935	3,900,000
Invested in capital assets	1,677,638	1,651,662
	<u>12,208,670</u>	<u>12,601,895</u>
Accumulated remeasurement gains	718,537	161,514
	<u>12,927,207</u>	<u>12,763,409</u>
Commitments (note 7)		
	<u>\$ 16,997,959</u>	<u>\$ 16,773,879</u>

See accompanying notes to financial statements.

On behalf of the Council:

Original Signed Kevin Griffiths (Apr 22, 2021 15:13 PDT) Director Original Signed Owen Edmondson (Apr 22, 2021 16:06 MDT) Director

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Levy fees	\$ 5,057,289	\$ 5,798,180
Permit and registration fees (note 4)	4,841,448	5,673,407
Accreditation fees (note 4)	1,145,157	1,186,247
Master Electricians Program certification fees	606,480	641,270
Safety Codes Officer program fee (note 4)	595,533	752,841
Investment income	582,284	508,201
Other revenue (note 4)	79,908	225,282
	<u>12,908,099</u>	<u>14,785,428</u>
Expenses:		
Salaries and benefits	6,843,490	6,359,664
Permit service fees	3,589,947	4,375,505
General and administrative (note 8)	1,556,053	1,926,660
Contract salaries and remuneration	504,626	915,352
Amortization and loss on disposal of capital assets	497,407	493,658
Course and seminar costs	226,100	305,998
Travel (note 8)	68,474	425,083
Investment management fees	62,751	58,018
Advertising and publications	50,722	151,453
	<u>13,399,570</u>	<u>15,011,391</u>
Deficiency of revenues over expenses before the undernoted	(491,471)	(225,963)
Contributed capital assets (note 8)	98,246	-
Deficiency of revenues over expenses	<u>\$ (393,225)</u>	<u>\$ (225,963)</u>

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	Sustainment and growth fund	Internally restricted (note 6)	Invested in capital assets	2020 Total	2019 Total
Balance, beginning of year	\$ 7,050,233	\$ 3,900,000	\$ 1,651,662	\$12,601,895	\$12,827,858
Excess (deficiency) of revenues over expenses	5,936	-	(399,161)	(393,225)	(225,963)
Purchase of capital assets, net	(425,137)	-	425,137	-	-
Transfers	(87,935)	87,935	-	-	-
Balance, end of year	\$ 6,543,097	\$ 3,987,935	\$ 1,677,638	\$12,208,670	\$12,601,895

Statement of Remeasurement Gains and Losses

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains (losses), beginning of year	\$ 161,514	\$ (652,167)
Unrealized change in fair value of investments	557,023	813,681
Accumulated remeasurement gains, end of year	\$ 718,537	\$ 161,514

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flow

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (393,225)	\$ (225,963)
Items not involving cash:		
Contributed capital assets	(98,246)	-
Amortization and loss on disposal of capital assets	497,407	493,658
Changes in non-cash operating working capital:		
Accounts receivable	(409,113)	(110,056)
Prepaid expenses and deposits	24,710	159,077
Accounts payable and accrued liabilities	(152,097)	24,896
Deferred revenue	80,333	(480,264)
Deferred lease inducements	(51,665)	(50,789)
	<u>(501,896)</u>	<u>(189,441)</u>
Investing activities:		
Purchase of investments, including reinvested investment income	(519,534)	(1,050,182)
Withdrawals from investments	651,100	-
	<u>131,566</u>	<u>(1,050,182)</u>
Capital and financing activities:		
Purchase of capital assets	(729,614)	(313,430)
Proceeds from disposal of capital assets	2,087	3,800
Lease inducements received for the purchase of capital assets	302,390	-
	<u>(425,137)</u>	<u>(309,630)</u>
Decrease in cash and cash equivalents	(795,467)	(1,549,253)
Cash and cash equivalents, beginning of year	1,786,960	3,336,213
Cash and cash equivalents, end of year	<u>\$ 991,493</u>	<u>\$ 1,786,960</u>

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2020

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Board of Directors, and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- administer the Master Electricians' program;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

The Council is responsible for overseeing the provision of safety codes compliance monitoring (permitting and inspection services) in unaccredited areas in the Province of Alberta under the Alberta Safety Codes Authority (ASCA).

Effective June 8, 2020, the Council and ASCA, a division of the Council, were transferred authority to complete delegated work related to storage fuel tanks under Part 4 of the National Fire Code - 2019 Alberta Edition. The Council is responsible for closing permits in the legacy software whereby costs will be incurred with no related revenue. These services are administered by the Storage Tank System division of ASCA.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions which include government grants. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues are recognized when earned or when the related services are provided.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand and short-term deposits which are highly liquid with original maturities of less than three months which are held for the purpose of meeting short-term cash commitments.

(c) Capital assets:

Capital assets are recorded at cost. Amortization is provided using the following method and annual rates for additions after January 1, 2018:

Asset	Basis	Useful Life
Furniture and fixtures	Straight line	5 years
Equipment	Straight line	5 years
Computer hardware	Straight line	3 years
Computer software	Straight line	3-10 years
Leasehold improvements	Straight line	Over lease term

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(c) Capital assets (continued):

For capital asset additions prior to January 1, 2018, amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized.

Capital assets that are not in use at year-end are not amortized.

(d) Leases:

Leases are classified as capital or operating leases. A lease that transfer substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments and related lease inducements, including "free-rent" periods or significant "step-up" provisions, are amortized on a straight-line basis and recognized as reductions of rent expense over the term of the lease. Lease inducements received for the purchase of capital assets are recognized as reductions in amortization expense on a straight-line basis over the term of the related lease.

Deferred lease inducements represents the unamortized value of tenant inducements and straight-line rent.

(e) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains and losses are reversed and recognized in the statement of operations.

The standards require the Council to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Significant amounts subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Related party transactions:

The Council enters into transactions with related parties in the normal course of operations and on normal trade terms. These transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

(i) Future accounting changes:

The following summarizes upcoming changes to Canadian public sector accounting standards: PS3280 *Asset Retirement Obligations* (effective April 1, 2022), PS3400 *Revenue* (effective April 1, 2023) and PSG-8 *Purchased Intangibles* (effective April 1, 2023). The Council's management is currently assessing the impact of these new accounting standards on its financial statements.

2. Investments:

2020	Level	Cost	Far value
Cash and cash equivalents		\$ 8,032	\$ 8,032
Jarislowsky Fraser Money Market Fund	1	118	118
Pooled funds:			
Bond Fund	2	6,594,896	6,846,671
Canadian Equity Fund	2	2,853,432	2,781,434
Global Equity Fund	2	1,603,183	2,101,097
Emerging Market Equity Fund	2	157,336	198,182
		\$ 11,216,997	\$ 11,935,534
2019	Level	Cost	Fair value
Cash and cash equivalents		\$ 300	\$ 300
Pooled funds:			
Bond Fund	2	6,634,285	6,599,638
Canadian Equity Fund	2	2,859,175	2,756,804
Global Equity Fund	2	1,676,971	1,964,365
Emerging Market Equity Fund	2	177,832	188,970
		\$ 11,348,563	\$ 11,510,077

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 703,376	\$ 285,262	\$ 418,114	\$ 344,419
Equipment	78,025	20,746	57,279	40,882
Computer hardware	897,288	654,950	242,338	335,333
Computer software	1,669,267	827,962	841,305	909,181
Leasehold improvements	1,563,258	312,030	1,251,228	960,682
Copyrights	11,767	-	11,767	11,767
Capital assets not in use	-	-	-	10,080
	\$ 4,922,981	\$ 2,100,950	\$ 2,822,031	\$ 2,612,344

Capital assets not in use includes \$nil (2019 - \$10,080) related to the Council's office expansion.

4. Deferred revenue:

	Balance, December 31, 2019	Amounts received (repaid)	Revenue recognized, net	Balance, December 31, 2020
Permit fees	\$ 1,435,449	\$ 5,167,934	\$ (4,841,448)	\$ 1,761,935
Safety Codes Officer program fee	200,929	542,429	(595,533)	147,825
Accreditation fees	33,718	1,125,323	(1,145,157)	13,884
Other revenue	187,059	(93,307)	(79,908)	13,844
	\$ 1,857,155	\$ 6,742,379	\$ (6,662,046)	\$ 1,937,488

In 2016, the Council obtained a one-time conditional grant of \$250,000 from the Province of Alberta to complete a Safety System Outcome Survey. Other revenue includes \$32,261 (2019 - \$77,109) related to this grant and the remaining unspent balance was returned during the year.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Deferred lease inducements:

In 2018, the Council received a total of \$507,888 in "free rent" and \$1,457,372 in tenant lease inducements to support the purchase of certain leasehold improvements. During the year, the Council received an additional \$302,390 in tenant lease inducements to support the purchase of certain leasehold improvements for the additional office space occupied. The Council recognized \$51,665 (2019 - \$50,789) of amortization of deferred straight-line rent as a reduction in rent expense and \$118,679 (2019 - \$115,282) of amortization of deferred tenant inducements as a reduction in amortization expense.

	2020	2019
Straight-line rent	\$ 371,575	\$ 423,240
Tenant inducements	1,144,393	960,682
	1,515,968	1,383,922
Current portion of deferred lease inducements	206,723	165,951
	\$ 1,309,245	\$ 1,217,971

6. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of \$3,000,000 to manage sustainability risk over the medium term. Access to the internally restricted net assets is granted by resolution of the Board of Directors.

In addition, the Council maintains internally restricted net assets related to ASCA as a contingency to manage risk. In the prior year, the Board of Directors approved a transfer of \$900,000 to this internally restricted account. The transfer in the current year relates to the realized investment income earned on the underlying investment portfolio.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Commitments:

	Office lease
2021	\$ 352,624
2022	367,317
2023	374,663
2024	374,663
2025	389,356
Thereafter	947,677
	<hr/> \$ 2,806,300 <hr/>

8. Related party transactions:

The Province of Alberta provides certain services to the Council, including monitoring services of accredited entities as part of the Municipal Support Program, at no cost. These unallocated costs are not recognized in the financial statements.

As part of the transfer of authority to complete delegated work related to storage fuel tanks under Part 4 of the National Fire Code - 2019 Alberta Edition, certain legacy permitting software with an agreed upon value of \$98,246 was contributed to the Council during the year.

Related parties include key management personnel and members of the Board of Directors of the Council. Transactions with key management personnel primarily consist of compensation related payments and are undertaken on similar terms and conditions to those that would be adopted if the parties were dealing at arm's length. Members of the Board of Directors are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of \$37,854 (2019 - \$63,804) and is included in general and administrative expense on the statement of operations. Other costs consist of travel related to meeting attendance of \$2,927 (2019 - \$35,688) which is included in travel expense on the statement of operations.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial risks and concentration of credit risk:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

The COVID-19 pandemic and measures taken to contain the virus continue to impact the market as a whole. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Council is not known at this time. The Council's risk management strategy has not changed due to the COVID-19 pandemic.

(a) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are in pooled funds and carried at fair value with fair value changes recognized in the statement of operations and statement of remeasurement gains and losses as appropriate, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through their investment guidelines and policies, as monitored by the management of the Council and its investment manager.

(b) Liquidity risk:

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities under both normal and stressed conditions. The Council's Investment Policy, which is reviewed and approved by the Board of Directors annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in pooled funds. Although market events could lead to some investments within the pooled fund becoming illiquid, the diversity and quality of the Council's investments is designed to ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial risks and concentration of credit risk (continued):

(c) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

The Council manages credit risk by investing diversified pooled funds. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations.

(d) Interest rate risk:

The Council is exposed to interest rate risk associated with the underlying interest-bearing instruments. To properly manage the Council's interest rate risk, appropriate guidelines and investment policies are set and monitored by management of the Council and its investment manager.