

Annual Report



CANADIAN
FREE TRADE
AGREEMENT
ACCORD DE
LIBRE-ÉCHANGE
CANADIEN

For the Fiscal Year Ending March 31, 2018

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INTERNAL TRADE
SECRETARIAT



SECRETARIAT DU
COMMERCE INTÉRIEUR

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Overview of the Agreement

In December 2014, federal, provincial and territorial governments began negotiations to strengthen and modernize the Agreement on Internal Trade (AIT). The AIT was an intergovernmental accord on domestic trade that was signed by the federal, provincial and territorial governments of Canada in 1994 and came into effect in 1995. It was recognized by all Parties to the AIT that a single market, free of barriers to trade, strengthens Canada's position in the competitive global economy.

The negotiations of December 2014 continued and were guided by direction from premiers and the federal government to secure an ambitious, balanced and equitable agreement that would level the playing field for trade and investment in Canada.

The new Canadian Free Trade Agreement (CFTA) resulted from these negotiations, entering into force on July 1st, 2017. Its objective is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments within Canada and to establish an open efficient, and stable domestic market. It commits all parties to a comprehensive set of rules that will help achieve a modern and competitive economic union for all Canadians.

This report provides details of the activities undertaken during the reporting period April 1, 2017 to March 31, 2018.

2017/2018 Highlights

Internal Trade Ministers met during 2017/2018 to ensure strong implementation of the CFTA and discuss progress achieved on new collaborative initiatives established under the CFTA. In November 2017, Ministers:

- Directed officials to undertake negotiations with the goal of ensuring that Canadians do not receive less favourable treatment than that offered to foreign interests.

Ministers also held a follow up conference call in December 2017.

In addition, the Annual General Meeting of the Internal Trade Secretariat Corporation (ITSC) was held via conference call in September 2017. The annual meeting of the ITSC Board of Directors to approve the budget plan took place in January 2018.

Progress under the Canadian Free Trade Agreement

Chapters One and Two

These chapters stand to set overarching objectives and rules for the Agreement.

Special Provisions (Chapter Three)

This chapter sets the rules for trade in Goods, Services, Investments, Incentives and rules for Monopolies. The working groups from chapter 3 were active in this fiscal year as follows:

Alcoholic Beverages Working Group (ABWG)

The ABWG was established in accordance with Article 1103.5. the ABWG met 3 times face to face and 13 times by phone in this fiscal year. The working group worked on developing recommendations to improve trade in alcoholic beverages in Canada.

Trade in Fish and Fish Products Working Group (TFFPWG)

The TFFPWG was established in accordance with Article 1103.9. the TFFPWG met twice by phone in the fiscal year. The working group collected information to establish an environmental scan of potential areas of interest for discussion.

Development of the Food Sector in the Territories Working Group

The Northern Food Working Group (NFWG) was established in accordance with Article 1103.11. The NFWG met 11 times by phone, including once as a Territorial sub-group. They are tasked with developing a report to ministers to identify economic development opportunities and initiatives in the Territories' food sector and to develop options.

Economic Development Opportunities and Initiatives in the Territories Food Sector Working Group

The EDOITFSWG is enabled as a working group in accordance with Article 1103.12. This working group has not convened during this fiscal year.

Committee on Customer-Related Measures and Standards Working Group

This working group meets independently and regularly under the authority from Article 1103.3. This working group did not submit recommendations to amend the agreement during this fiscal year.

Regulatory Notification, Reconciliation, and Cooperation (Chapter Four)

Regulatory Reconciliation and Cooperation Table (RCT)

The Regulatory Reconciliation and Cooperation Table was formed in accordance with Article 404. The RCT met 9 times by conference call and one time at a face to face meeting. The RCT completed terms or references and administrative practices documents establishing the parameters of the work to examine regulations to be considered for reconciliation and cooperation.

Government Procurement (Chapter Five)

Procurement Committee (PC)

The Procurement Committee was established, in accordance with Article 1103, by a directive from the CIT in November 2017 to form a working group to examine ways to identify issues and improve chapter 5. The PC met once to begin its work and are developing terms or references.

Environmental Protection (Chapter Six)

There were no recommendations made to amend this chapter in the course of the fiscal year.

Labour Mobility (Chapter Seven)

Mobility and Qualification Recognition Working Group (MQRWG)

The MQRWG is tasked to identify issues and offer advice on improving chapter 7 in accordance with Article 708. The MQRWG met regularly by conference call and met once face to face. This working group did not submit any recommendations to the CIT to amend the agreement. An annual report is forthcoming in accordance with Article 708.1e.

Financial Services Working Group (FSWG)

The FSWG was formed in accordance with Article 1205 to explore the incorporation of rules applicable to financial services into the CFTA. The FSWG met 5 times by conference call.

Exceptions (Chapters Eight and Nine)

General and Party-Specific Exceptions

Party-Specific Exceptions Working Group

This working group is enabled by Article 1103.10 to consider ways to minimize or eliminate exceptions. This working group did not convene in this fiscal year.

Dispute Resolutions (Chapter Ten)

There were no recommendations made to amend this chapter in the course of the fiscal year. There were two active disputes in this fiscal year.

GOA v. Artisan Ales

On January 25, 2018, there was an appeal hearing to the panel decision held under the Agreement on Internal Trade (AIT) in a dispute between Artisan Ales Consulting Inc. and the Government of Alberta, specifically: *Report of Article 1716 Panel Regarding the Dispute Between Artisan Ales Consulting Inc. and Alberta Regarding Beer Mark-Ups (28 July 2017)* (ISBN 978-1-894055-96-3).

AB & BC WINE Consultations

In February 2018, British Columbia requested that a Government to Government proceeding be initiated in respect to Alberta measures that act to restrict the sale of BC wine in AB. This dispute is in consultation.

Institutional Provisions (Chapter Eleven)

Québec was Chair of committee on Internal Trade as of January 1, 2018. New Brunswick was chair previously.

Final Provisions (Chapter Twelve)

Trade in Cannabis Working Group (TCWG)

The TCWG is set to be activated in accordance with Article 1206. This working group will be initiated upon royal assent of federal legislation with respect to cannabis for non-medical purposes. The TCWG was not active during the fiscal year.

Organizational Structure

Internal Trade Secretariat Corporation

The CFTA established a Secretariat to act as a neutral and independent coordinating support body to committees and working groups under the CFTA. Constituted as the Internal Trade Secretariat Corporation (ITSC), a federally-established not-for-profit organization set up in 2006. The Secretariat is headed by a Managing Director who reports to the Chair of the Board of Directors and to the Board of Directors.

Board of Directors

Each Party to the CFTA appoints a representative to serve on the Board of Directors for the ITSC to provide general guidance to the Managing Director in the administration and operation of the ITSC.

Committee on Internal Trade

Under the CFTA, the Committee on Internal Trade (CIT), has the responsibility for implementing the CFTA. The CIT meets annually to review progress under the CFTA and its chairmanship is rotated each year on the basis of a roster of Parties. Decisions are taken by consensus (unanimity).

Internal Trade Representatives

Internal Trade Representatives (ITRs) are senior trade officials appointed by each Party to the CFTA, who meet regularly as a committee or in working groups to direct the work of implementing the CFTA.

Canadian Free Trade Agreement

For more detailed information, please visit the CFTA website at www.cfta-alec.ca.

GOALS, ACTIVITIES AND PERFORMANCE TARGETS 2017/2018

Goals	Activities	Performance Targets	
Goal 1: operational services: to provide efficient and effective support services to the Parties' ongoing implementation of the CFTA	<p>Provide full Secretariat support services to meetings/calls of CIT, ITRs and Board, as well as committees/working groups, including the preparation of agendas, logistics, documents and summary records</p> <p>As requested, research, identify, evaluate and report on emerging issues</p> <p>Prepare protocols of amendment and revise the Consolidation of the Agreement accordingly</p> <p>Participate in and support meetings/calls of other CFTA sectoral working groups as requested, subject to budgetary and operational constraints</p> <p>Provide support to Parties on any initiatives related to improving internal trade</p>	<p>For CIT, ITRs and Board, as well as committees/working groups, documentation to be available simultaneously in both official languages</p> <p>For CIT:</p> <ul style="list-style-type: none"> • final documentation to be available 10 working days prior to a meeting/call; • draft summary records distributed to Chair within 2 working days; final summary records distributed in both languages to all Parties within 2/3 working days of approval and translation <p>For ITRs and Board:</p> <ul style="list-style-type: none"> • documentation by Secretariat available 4 working days prior to a meeting/call; • draft summary records distributed to Chair within 2 working days; final summary records distributed in both languages within 2/3 working days of approval and translation <p>For all other committees/working groups:</p> <ul style="list-style-type: none"> • documentation prepared by Secretariat available 3 working days prior to a meeting/call; • draft summary records distributed to Chairs within 2 working days; final summary records distributed within 2 working days of approval • Other support requests completed within agreed time frame 	<p>Mostly met</p> <p>Met</p> <p>Met</p> <p>Mostly Met</p> <p>Met</p> <p>Mostly Met</p> <p>Met</p>

<p>Goal 2: administrative services: to provide sound management of human and financial resources</p>	<p>Ensure sound administration of financial requirements under the CFTA, including requests for contributions, financial reports and audits</p> <p>Ensure effective and efficient allocation of human resources within the Secretariat so as to be fully operational at all times in providing support to Parties</p>	<ul style="list-style-type: none"> • Commence draft annual operating plan and budget in December and complete by early January • Provide quarterly financial reports to Board • Complete annual audit by May 31. Consult legal counsel and auditor as necessary • Review regularly administrative policies/procedures and revise as necessary 	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>
<p>Goal 3: dispute resolution services: to administer the CFTA dispute resolution mechanism so as to ensure it operates in a fair, transparent, efficient and effective manner</p>	<p>Monitor/record disputes under the CFTA dispute resolution mechanism</p> <p>Maintain Roster of Panelists and List of Screeners</p> <p>Provide administrative support to Parties/disputants in the consultations phase</p> <p>Provide support to Chapter 10 Panels as defined in the CFTA</p> <p>Provide support to the Parties in any initiatives undertaken to improve the dispute resolution process</p>	<ul style="list-style-type: none"> • Maintain/update statistical data on all disputes and complaints filed under the CFTA, including corresponding summary data that identifies key issues and reflects the current stage of the dispute • Notify Parties as terms near expiry • Review Dispute Resolution Procedures - following each panel report (and any CFTA amendments) and revise accordingly • Support activities to be completed within time frames specified in Chapter 10 of the CFTA 	<p>Met</p> <p>N/A</p> <p>Met</p> <p>Met</p> <p>Met</p>

<p>Goal 4: information services: to provide accurate and timely information management systems to Parties</p>	<p>Undertake regular updates on the status of obligations by Party as well as updates of dispute tracking tables/charts</p>	<ul style="list-style-type: none"> • Complete draft CFTA Annual Report by September with prompt posting on CFTA website • Post new Article 1203 agreements as received • Update lists of CIT, Deputy Ministers, ITRs, committees/working groups and other sectoral contact points as necessary 	<p>Not Met</p> <p>N/A</p> <p>Met</p>
<p>Goal 5: communications services: to inform both internal and external stakeholders as well as the general public of the objectives and achievements of the CFTA</p>	<p>Maintain liaison with, and provide information on the CFTA to, national, provincial, municipal public organizations, as well as the private sector, NGOs and other groups</p> <p>Maintain documentation centre for materials related to the CFTA; maintain the CFTA site</p>	<ul style="list-style-type: none"> • Respond to all inquiries promptly • Update web sites promptly upon receipt of new information filed with the Secretariat • Ongoing revision of websites to render more user-friendly to all stakeholders • Monitor and report on the media in regard to Internal Trade issues. 	<p>Mostly met</p> <p>Met</p> <p>Met</p> <p>Met</p>

Committee on Internal Trade (CIT)

(as of March 31, 2018)

Alberta

The Honourable Deron Bilous
Minister of Economic Development and
Trade

British Columbia

The Honourable Bruce Ralston
Minister of Jobs, Trade and Technology

Canada

The Honourable Navdeep Singh Bains
Minister of Innovation, Science and
Economic Development

Manitoba

The Honourable Blaine Pedersen
Minister of Growth, Enterprise and Trade

New Brunswick

The Honourable Roger Melanson
President of Treasury Board and Minister
responsible for Trade Policy

Newfoundland and Labrador

The Honourable Dwight Ball
Premier of Newfoundland and Labrador

Northwest Territories

The Honourable Wally Schumann
Minister of Industry, Tourism and
Investment

Nova Scotia

The Honourable Geoff MacLellan
Minister of Trade

Nunavut

The Honourable Elisapee Sheutiapik
Minister of Economic Development and
Transportation

Ontario

The Honourable Steven Del Duca
Minister of Economic Development and
Growth

Prince Edward Island

The Honourable Chris Palmer
Minister of Economic Development and
Tourism

Quebec (Chair)

The Honourable Dominique Anglade
Minister of the Economy, Science and
Innovation

Saskatchewan

The Honourable Steven Bonk
Minister of Economy and Minister
responsible for Tourism Saskatchewan,
Innovation and Trade

Yukon

The Honourable Ranj Pillai
Minister of Economic Development

Internal Trade Representatives (ITRs)

(as of March 31, 2018)

Alberta

Lorraine Andras
Director, Trade Policy – Domestic
Alberta Economic Development and
Trade

British Columbia

Matthew Carnaghan
Senior Manager
Trade Policy and Negotiations
Ministry of Jobs, Trade and Technology

Canada

Stephen Fertuck
Director of Internal Trade
Innovation, Science and Economic
Development Canada

Manitoba

Tami Reynolds
Senior Policy Analyst
Policy, Planning and Coordination
Manitoba Jobs and the Economy

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador

Richard Squires
Manager, Trade Policy
Trade Policy and Logistics
Innovation, Business and Rural
Development

Northwest Territories

Paul McKenna
Legal Counsel
Legal Division

Nova Scotia

Andrew MacDonald
Senior Trade Policy Analyst
Intergovernmental Affairs

Nunavut

George MacKay
International and Internal Trade Officer
Executive & Intergovernmental Affairs

Ontario

Richard Caine
Internal Trade Representative

Prince Edward Island

Kal Whitnell
Senior Director, Economic Research and
Trade Negotiations
Economic Development and Tourism

Quebec (Chair)

Marie-Andrée Marquis
Internal Trade Representative,
Commercial Policy
Finance and the Economy

Saskatchewan

Arla Cameron
Senior Trade Analyst, Trade Policy
Executive Council – Intergovernmental
Affairs

Yukon

Barbara Dunlop
Director – Policy, Planning and
Communications
Economic Development

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of Internal Trade Secretariat Corporation

We have audited the accompanying financial statements of Internal Trade Secretariat Corporation, which comprise of the statement of financial position as at March 31, 2018 and the statements of operations and unrestricted net assets and of cash flows for the year ended March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As outlined in note 3 to the financial statement, the Internal Trade Secretariat Corporation does not capitalize and amortize its property and equipment. In this respect only, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Internal Trade Secretariat Corporation as at March 31, 2018 and the results of its operations and its cash flows for the year ended March 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 26, 2018

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Financial Position

March 31	2018	2017
	\$	\$
Assets		
Current Assets		
Cash	319,844	385,096
Accounts receivable	105,816	19,225
Prepaid expenses	1,200	273
	426,860	404,594
Capital assets (Note 3)	1	1
	426,861	404,595
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	27,578	58,211
Federal Government surplus payable (Note 4)	82,662	68,391
	110,240	126,602
Net Assets		
Surplus Funds		
Federal Government (Note 4)	-	-
Provinces and Territories (Note 5)	187,231	148,601
Reserve funds - Contingency (Note 6)	125,000	125,000
Unrestricted	4,390	4,392
	316,621	277,993
	426,861	404,595

Approved on behalf of the Corporation:

_____ Director

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2018	2017
	\$	\$
Revenue		
Contributions		
Federal Government (Note 4)	292,337	306,609
Provinces and Territories (Note 5)	291,462	305,963
Interest		
Federal Government (Note 4)	2,149	1,660
Provinces and Territories (Note 5)	3,024	2,306
Other income	-	1,569
	588,972	618,107
Expenses		
Personnel	289,399	235,628
Meetings and conferences	152,003	210,743
Communications	30,260	894
Rent (Note 7)	28,436	27,372
Office expenses	28,106	23,633
Travel	16,007	20,181
Professional services	15,685	11,130
Translation	12,303	73,544
Computers and software	7,719	4,558
Goods and services tax, net	5,644	8,588
Professional development	2,983	217
Other expenses	429	50
	588,974	616,538
Excess (deficiency) of revenue over expenses for the year	(2)	1,569
Unrestricted net assets , beginning of year	4,392	2,823
Unrestricted net assets , end of year	4,390	4,392

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Cash Flows

For the year ended March 31	2018	2017
	\$	\$
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year	(2)	1,569
Changes in non-cash working capital balances		
Accounts receivable	(86,591)	(4,883)
Prepaid expenses	(927)	379
Accounts payable and accrued liabilities	(30,633)	38,236
Federal government surplus payable	14,271	24,069
Surplus funds - Provinces and Territories	38,630	(75,826)
	<hr/>	<hr/>
Decrease in cash and cash equivalents during the year	(65,252)	(16,456)
Cash and cash equivalents, beginning of year	385,096	401,552
	<hr/>	<hr/>
Cash and cash equivalents, end of year	319,844	385,096

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2018

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Internal Trade Secretariat (the "Corporation") is a non-taxable, incorporated association that was established on August 8, 1995, as required by the Agreement on Internal Trade. The objective of this Agreement is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments in Canada.

The Corporation's role is to provide administrative and operational support to the Committee on Internal Trade and other working groups or committees set up to implement the Agreement on Internal Trade.

During the 2006 fiscal year, an application was filed to incorporate a corporation under the name "The Internal Trade Secretariat Corporation" under the Canada Corporations Act. The Letters Patent was issued on November 15, 2005. The Secretariat began operating under the new incorporated entity effective April 1, 2006.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Property and Equipment

Property and equipment are charged to expenditures in the year of purchase. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The effect of this policy is described in note 3.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions receivable are recognized if the amount can be reasonably estimated and ultimate collection is reasonably assured.

Surplus Funds

The management board of the Corporation resolved on November 21, 2005 to change the existing policy with regards to deferred contributions. Beginning fiscal 2005/2006, unused funds are no longer considered to be deferred contributions, but will now be considered an internally restricted surplus fund for future use within the Corporation.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2018

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Payable and Accrued Liabilities

	<u>2018</u>	2017
	\$	\$
Trade accounts payable	22,026	54,900
Vacation payable	5,410	3,096
Wages and source deductions payable	142	215
	<u>27,578</u>	<u>58,211</u>

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were \$3,531 of purchases (\$2,311 in 2017) that were expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The estimated useful life of the property and equipment components which include computers, furniture and office equipment is usually 5 years. If property and equipment had been capitalized and amortized over their estimated useful life of five years, amortization expense would have been increased by \$2,938 (\$2,231 in 2017), contribution revenue would have been increased by \$2,938 (\$2,231 in 2017), and capital assets and surplus funds on the balance sheet would each have increased by \$9,038 (\$8,445 in 2017).

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2018

4. Surplus Funds - Federal Government

Based on a Funding Agreement with the Federal Government, the Corporation is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Federal Government. The details of contributions from the Federal Government for the year are as follows:

	2018	2017
	\$	\$
Surplus funds, beginning of year	-	-
Contributions for the year	374,999	375,000
	374,999	375,000
Required contributions		
50% of the eligible expenditures of \$588,972 ((\$616,539 in 2017))	294,486	308,269
Deduct interest earned on advances from the Federal Government	(2,149)	(1,660)
Contributions recognized as revenue for the year	292,337	306,609
	82,662	68,391
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(82,662)	(68,391)
Surplus funds, end of year	-	-

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2018

5. Surplus Funds - Provinces and Territories

Based on the Agreement on Internal Trade, the Corporation is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Provinces and Territories. The details of contributions from the Provinces and Territories for the year are as follows:

	2018	2017
	\$	\$
Surplus funds, beginning of year	148,601	224,427
Contributions for the year	330,092	230,137
	478,693	454,564
Required contributions		
50% of the eligible expenditures of \$588,972 (\$616,539 in 2017)	294,486	308,269
Deduct interest earned on advances from the Provinces and Territories	(3,024)	(2,306)
Contributions recognized as revenue for the year	291,462	305,963
Surplus funds, end of year	187,231	148,601

6. Reserve Funds - Contingency

The contingency reserve fund, as established by board resolution February 29, 2008, is to be maintained at \$125,000 to cover any costs contingencies relating to extra ministerial and/or officials' meeting, more than one dispute panel, non-payment or delay in member contributions being received, and any special projects.

7. Commitments

The Corporation has an operating lease for its premises at \$2,150 per month including cleaning services, under a lease expiring in November 2020.

The Corporation has also entered into an operating lease for its equipment. The equipment is leased at \$150 per month under a lease expiring in August 2020.

The minimum annual lease payments for the next four years are as follows:

2019	\$	27,601
2020		27,601
2021		17,951

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2018

8. Economic Dependence

The operations of the Corporation are dependent upon the continued funding from federal, provincial and territorial jurisdictions.

9. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist primarily of accounts receivable. The Corporation is not exposed to significant credit risk as the receivables consist of amounts due from governments. Credit risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the Corporation's management of working capital. The Corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due. Liquidity risk has not changed from the prior year.