

Annual Report



CANADIAN
FREE TRADE
AGREEMENT
ACCORD DE
LIBRE-ÉCHANGE
CANADIEN

For the Fiscal Year Ending March 31, 2020

ISBN 978-1-988485-07-2

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, 2019 to March 31, 2020.

2019/2020 Highlights

Internal Trade Ministers met twice during 2019/2020 to ensure strong implementation of the CFTA and discuss progress achieved on new collaborative initiatives established under the CFTA. In May 2019, Ministers:

- Directed officials to undertake negotiations in accordance with Article 1205 with the goal of ensuring that Canadians do not receive less favourable treatment than that offered to foreign interests.

Ministers also approve the First Protocol of amendment which enables a Party to remove or narrow its own Party-specific exceptions in an expedited manner. The Protocol entered into force on December 10, 2019.

In the December conference call ministers reiterated their focus on continued negotiations and promoting freer trade.

In addition, the Annual General Meeting of the Internal Trade Secretariat Corporation (ITSC) was held via conference call in September 2019. The annual meeting of the ITSC Board of Directors to approve the budget plan took place in January 2020.

The end of the fiscal year brought challenges due to the onset of the COVID – 19 Pandemic. However, ITSC staff and government officials were able to successfully make the transition to home-based/distance-based operations.

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. This working group did not submit any recommendations to the CIT to amend the agreement.

Trade in Fish and Fish Products Working Group (TFFPWG)

The TFFPWG was established in accordance with Article 1103.9. This working group did not submit any recommendations to the CIT to amend the agreement.

Development of the Food Sector in the Territories Working Group

The Northern Food Working Group (NFWG) was established in accordance with Article 1103.11. This working group did not submit any recommendations to the CIT to amend the agreement.

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 has 4 sub working groups and it coordinates the work of 5 existing or newly created committees/working groups designated to negotiate reconciliation agreements. The RCT met 11 times by conference call and one time at a face to face meeting in Halifax. The RCT's working groups and sub-groups met 37 times by conference call.

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 and its working groups met 11 times by conference call and one time at a face to face meeting.

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. This working group did not submit any recommendations to the CIT to amend the agreement. An annual report to CIT ministers 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 31 times by conference call and twice face to face in Toronto and Ottawa.

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. The First Protocol of amendment was developed, approved by ministers in August 2019 and entered into force on December 10, 2019. The First Protocol of amendment enables a Party to remove or narrow its own Party-specific exceptions in an expedited manner.

Dispute Resolutions (Chapter Ten)

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

Artisan Ales v. AB

On May 11, 2018, an appellate panel released its decision held under the Agreement on Internal Trade (AIT) in the appeal of the dispute between Artisan Ales Consulting Inc. and the Government of Alberta, specifically: *Appeal of the Report of the Panel in the Dispute between*

Artisan Ales Consulting Inc. and Alberta Regarding Beer Mark-Ups (May 11, 2018) (ISBN 978-1-894055-97-0).

On January 7, 2019, Artisan Ales consulting Inc. served notice to request the panel report on the Government of Alberta's compliance with the Person to Government AIT dispute report 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).*

In July, 2019, the compliance Panel released its report stating the Government of Alberta did comply with the Panel findings. See: *Report on the Compliance of the Decision of Article 1716 Panel Regarding the Dispute between Artisan Ales Consulting Inc. and Alberta Regarding Beer Mark-ups (July 5, 2019) (ISBN 978-1-988485-03-4).* This report marks the last possible applicable authority of the AIT.

AB & BC WINE Consultations

In February 2018, the Government of British Columbia requested that a Government to Government proceeding be initiated in respect to Alberta's measures that act to restrict the sale of BC wine in AB. On March 31, 2020 this dispute was still in consultation.

AB & ON LIST Consultations

On November 27, 2018, the Government of Alberta requested that a Government to Government proceeding be initiated in respect to Ontario's measures related to the listing practices of the Liquor Control Board of Ontario. On March 31, 2020 this dispute was in consultations.

Institutional Provisions (Chapter Eleven)

Newfoundland and Labrador was Chair of committee on Internal Trade as of January 1, 2020. Nova Scotia was chair previously.

Final Provisions (Chapter Twelve)

Trade in Cannabis Working Group (TICWG)

The TICWG was formed in accordance with Article 1206 to discuss the application of the CFTA to measures regarding cannabis for non-medical purposes.

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 2019/2020

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>Partially 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>Mostly 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>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 • Post updated version of the CFTA in accordance with Article 1214 (Modifications to Party-Specific Exceptions) within 48 hours. 	<p>Met</p> <p>N/A</p> <p>Met</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, 2020)

Alberta

The Honourable Jason Kenney
Premier of Alberta

British Columbia

The Honourable Michelle Mungall
Minister of Jobs, Economic Development and
Competitiveness

Canada

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of
Intergovernmental Affairs

Manitoba

The Honourable Ralph Eichler
Minister of Economic Development and
Training

New Brunswick

The Honourable Blaine Higgs
Premier of New Brunswick

Newfoundland and Labrador (Chair)

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 David Akeeagok
Minister of Economic Development and
Transportation

Ontario

The Honourable Victor Fedeli
Minister of Economic Development, Job
Creation, and Trade

Prince Edward Island

The Honourable Matthew MacKay
Minister of Economic Growth, Tourism
and Culture

Quebec

The Honourable Pierre Fitzgibbon
Minister of the Economy and Innovation

Saskatchewan

The Honourable Jeremy Harrison
Minister of Trade and Export
Development

Yukon

The Honourable Ranj Pillai
Minister of Economic Development

Internal Trade Representatives (ITRs)

(as of March 31, 2020)

Alberta

Lorraine Andras
Director, Trade Policy – Domestic
Intergovernmental Relations

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

Stacey Quinn
Trade Agreements and Negotiations
Manitoba Trade and Investment

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador (Chair)

Richard Squires
Manager, Trade Policy
Trade Policy Division
Intergovernmental and Indigenous Affairs
Secretariat

Northwest Territories

Alexandra Malakoe
Manager, Trade and Business Immigration
Business Support and Trade

Nova Scotia

Alexis Michael
Corporate Strategist
Intergovernmental Affairs

Nunavut

Jonathan Alomoto
International and Internal Trade Officer
Department of Economic Developments
and Transportation

Ontario

Matthew Gordon
Acting Director, Internal Trade
Engagement Branch
Economic Development, Job Creation and
Trade

Prince Edward Island

Jeff Collins
Trade & Economic Policy Advisor
Economic Growth, Tourism and Culture

Québec

Marie-Andrée Marquis
Commercial Policy
Finance and the Economy

Saskatchewan

Arla Cameron
Senior Trade Policy Analyst
Trade Policy
Ministry of Trade and Export Development

Yukon

Shay Kokiwi
Senior Policy Advisor
Economic Development

**INTERNAL TRADE SECRETARIAT
CORPORATION**

Financial Statements

For the year ended March 31, 2020

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of Internal Trade Secretariat Corporation

Qualified Opinion

We have audited the financial statements of Internal Trade Secretariat Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and unrestricted net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 the Corporation as at March 31, 2020 and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

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. Management does not retain record of assets purchased, and therefore, due to this limitation in scope, we are unable to determine whether any adjustments might be necessary to the statement of financial position, statement of operations and unrestricted net assets and cash flows for the years ended March 31, 2020 and March 31, 2019. In this respect only, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 Corporation 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
September 30, 2020

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Financial Position

March 31	2020	2019
Assets		
Current Assets		
Cash	\$ 605,622	\$ 629,064
Accounts receivable	17,458	19,298
Prepaid expenses	660	1,200
	623,740	649,562
Capital assets (Note 3)	1	1
	623,741	649,563
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	32,840	12,944
Federal Government surplus payable (Note 4)	113,569	175,074
	146,409	188,018
Net Assets		
Surplus Funds		
Federal Government (Note 4)	-	-
Provinces and Territories (Note 5)	347,942	332,155
Reserve funds - Contingency (Note 6)	125,000	125,000
Unrestricted	4,390	4,390
	477,332	461,545
	\$ 623,741	\$ 649,563

Approved on behalf of the Corporation:



Director

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2020	2019
Revenue		
Contributions		
Federal Government (Note 4)	\$ 261,430	\$ 199,925
Provinces and Territories (Note 5)	260,070	198,829
Interest		
Federal Government (Note 4)	4,549	3,617
Provinces and Territories (Note 5)	5,909	4,713
Dispute recovery	15,681	120,927
	547,639	528,011
Expenses		
Personnel	354,244	301,892
Meetings and conferences	60,167	94,520
Translation	32,119	27,152
Rent (Note 7)	29,440	29,160
Office expenses	28,851	27,838
Travel	16,478	15,274
Communications	9,353	3,239
Professional services	7,092	17,177
Computers and software	4,150	2,539
Goods and services tax, net	3,252	4,425
Professional development	1,515	1,064
Other expenses	978	3,731
	547,639	528,011
Excess of revenue over expenses for the year	-	-
Unrestricted net assets, beginning of year	4,390	4,390
Unrestricted net assets, end of year	\$ 4,390	\$ 4,390

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

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ -	\$ -
Changes in non-cash working capital balances		
Accounts receivable	1,840	86,518
Prepaid expenses	540	-
Accounts payable and accrued liabilities	19,896	(14,634)
Federal government surplus payable	(61,505)	92,412
Surplus funds - Provinces and Territories	15,787	144,924
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents during the year	(23,442)	309,220
Cash and cash equivalents, beginning of year	629,064	319,844
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 605,622	\$ 629,064

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

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2020

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Internal Trade Secretariat Corporation (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 restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the Unrestricted Fund. Contributions are recognized in the year received or receivable if the amount to be received can be reasonably estimated and 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, 2020

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>2020</u>	<u>2019</u>
Trade accounts payable	\$ 11,666	\$ 10,787
Vacation payable	18,730	1,611
Wages and source deductions payable	<u>2,444</u>	<u>546</u>
	<u>\$ 32,840</u>	<u>\$ 12,944</u>

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were \$6,253 of purchases (\$3,651 in 2019) that were expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2020

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:

	2020	2019
Surplus funds, beginning of year	\$ -	\$ -
Contributions for the year	374,999	374,999
	374,999	374,999
Required contributions		
50% of the eligible expenditures of \$531,958 (\$407,084 in 2019)	265,979	203,542
Deduct interest earned on advances from the Federal Government	(4,549)	(3,617)
Contributions recognized as revenue for the year	261,430	199,925
	113,569	175,074
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(113,569)	(175,074)
Surplus funds, end of year	\$ -	\$ -

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2020

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:

	2020	2019
Surplus funds, beginning of year	\$ 332,155	\$ 187,231
Contributions for the year	275,857	343,753
	608,012	530,984
Required contributions		
50% of the eligible expenditures of \$531,958 (\$407,084 in 2019)	265,979	203,542
Deduct interest earned on advances from the Provinces and Territories	(5,909)	(4,713)
	260,070	198,829
Contributions recognized as revenue for the year		
	\$ 347,942	\$ 332,155

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 cost 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 payment for the next year is \$17,951.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

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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.

10. Uncertainty Due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the impact is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated. At this time, the full impact of COVID-19 on the Corporation is not known.