

ANNUAL REPORT



CANADIAN FREE TRADE AGREEMENT ACCORD DE LIBRE-ÉCHANGE CANADIEN

For the Fiscal Year Ending March 31, 2021

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INTERNAL TRADE
SECRETARIAT



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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 1, 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 an overview of the activities undertaken during the reporting period April 1, 2020 to March 31, 2021.

2020/2021 Highlights

Internal Trade Ministers met once during 2020/2021 as part of ensuring the continued implementation of the CFTA. On September 16, 2020, Ministers were provided with updates regarding the trade in alcoholic beverages (including work on a Direct-to-Consumer (DTC) sales model), financial services, cannabis for non-medical purposes, Party-specific exceptions, labour mobility, electricity transmission, and the work of the Regulatory Reconciliation and Cooperation Table (RCT).

Of particular interest are the following two achievements under the CFTA:

- The first was the release of the RCT's 2020-2021 Work Plan on September 17, 2020. The new Work Plan has 33 items, including four new items that were added (Personal Protective Equipment, Canadian Electrical Codes, Energy Using and Energy Saving Equipment, and Licensing/Certification of Building Officials or Inspectors).
- The second is specific rules on electricity transmission, which entered into force on September 23, 2020. These rules consist of obligations that require open and non-discriminatory provision of electricity transmission service, and the use of a dispute resolution mechanism that includes electricity experts in any dispute panel.

CIT Ministers recommitted to continue addressing internal trade barriers across Canada and making improvements to the CFTA in order to better facilitate trade across provincial and territorial boundaries. CIT Ministers also noted that the importance of internal trade in Canada has only been heightened by the COVID-19 pandemic.

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 Three were active in this fiscal year as follows:

Alcoholic Beverages Working Group

Established in accordance with Article 1103.5, this working group did not submit any recommendations to the CIT to amend the agreement.

Trade in Alcoholic Beverages Working Group

The working group was established in accordance with Article 1103.1 and was responsible for developing and launching the [Alcohol Laws in Canada website](#) in early 2020 as part of improving the transparency and accessibility of information. This working group did not convene during this fiscal year nor submit any recommendations to the CIT to amend the agreement.

Trade in Fish and Fish Products Working Group

Established in accordance with Article 1103.9, this working group did not convene during this fiscal year nor submit any recommendations to the CIT to amend the agreement.

Direct-to-Consumer Technically Focused Working Group

This working group was established in accordance with Article 1103.1. The working group did not submit any recommendations to the CIT to amend the agreement this fiscal year but did meet 9 times via conference call or virtually and held 6 sub-group meetings to address specific issues.

Development of the Food Sector in the Territories Working Group

Established in accordance with Article 1103.11, this working group did not convene during this fiscal year and nor did they submit any recommendations to the CIT to amend the agreement.

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

Established in accordance with Article 1103.12, this working group did not convene during this fiscal year, nor did they submit any recommendations to the CIT to amend the agreement.

Committee on Customer-Related Measures and Standards Working Group

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

Regulatory Notification, Reconciliation, and Cooperation (Chapter Four)

Regulatory Reconciliation and Cooperation Table

The RCT was formed in accordance with Article 404 to lead the reconciliation of regulatory differences among federal, provincial, and territorial jurisdictions that act as a barrier or impediment to trade for companies working in multiple jurisdictions in Canada, and to provide a forum for regulatory cooperation on future regulatory measures. The RCT as a whole met 12 times by conference call or virtually during this fiscal year, while its various sub-groups met 36 times. The [RCT's 2020 Annual Report](#) provides additional information regarding its accomplishments and outlines some of the challenges involved in addressing regulatory reconciliation and cooperation across Canada. The RCT did not submit recommendations to the CIT to amend Chapter Four during this fiscal year.

Government Procurement (Chapter Five)

Procurement Committee

Established in accordance with Article 1103.1 and by a directive from the CIT in November 2017 to form a working group to examine ways to identify issues and improve Chapter Five. The working group met 3 times by conference call or virtually during this fiscal year and did not submit recommendations to the CIT to amend the agreement.

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

This working group is tasked to identify issues and offer advice on improving Chapter Seven in accordance with Article 708. The 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

This working group was formed in accordance with Article 1205 to explore the incorporation of rules applicable to financial services into the CFTA. The working group met 6 times by conference call or virtually during this fiscal year and did not submit any recommendations to the CIT to amend the agreement.

Exceptions (Chapters Eight and Nine)

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 (POA) was developed, approved by ministers in August 2019 and entered into force on December 10, 2019. The First POA enables a Party to remove or narrow its own Party-specific exceptions in an expedited manner. This working group did not convene during this fiscal year and nor did they submit any recommendations to the CIT to amend the agreement. The following Parties submitted Party-specific removals or amendments during this fiscal year: Ontario and Saskatchewan.

Dispute Resolutions (Chapter Ten)

There were no recommendations made to amend Chapter Ten in the course of the fiscal year. There were three disputes that remained active at the end of this fiscal year, which are listed below.

The following Government to Government Consultations were initiated prior to this fiscal year:

British Columbia & Alberta Wine Consultations (Abandoned)

On February 18, 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, 2021, this dispute was deemed to have been abandoned as no request to establish a panel was received in the three years after delivery of the initial request for consultations.

Alberta & Ontario Listing, Placement, and Access Practices Regarding Alcoholic Beverages Consultations (Active)

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, 2021, this dispute was still in consultations

Ontario & Quebec Power Engineer Consultations (Active)

On July 28, 2018, the Government of Quebec requested that a Government-to-Government proceeding be initiated with respect to Ontario's refusal to issue a Second-Class Power Engineer certificate to a Québec worker certified in Québec. On March 31, 2021, this dispute was still in consultations.

The following Government to Government Consultation was initiated during this fiscal year:

Ontario & Manitoba Nurse Consultations (Active)

On February 17, 2021, the Government of Ontario requested that a Government-to-Government proceeding be initiated with respect to Manitoba's refusal to allow a Registered Nurse certified in Ontario to practice in Manitoba. On March 31, 2021, this dispute was still in consultations.

Institutional Provisions (Chapter Eleven)

Each Party acts as Chair of the CIT for one year, according to the following rotation:

New Brunswick	January 1, 2017 to December 31, 2017
Quebec	January 1, 2018 to December 31, 2018
Nova Scotia	January 1, 2019 to December 31, 2019
Newfoundland and Labrador	January 1, 2020 to December 31, 2020
British Columbia	January 1, 2021 to December 31, 2021
Yukon	January 1, 2022 to December 31, 2022
Saskatchewan	January 1, 2023 to December 31, 2023
Prince Edward Island	January 1, 2024 to December 31, 2024
Northwest Territories	January 1, 2025 to December 31, 2025
Nunavut	January 1, 2026 to December 31, 2026
Canada	January 1, 2027 to December 31, 2027
Manitoba	January 1, 2028 to December 31, 2028
Ontario	January 1, 2029 to December 31, 2029
Alberta	January 1, 2030 to December 31, 2030

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

Final Provisions (Chapter Twelve)

Trade in Cannabis Working Group

This working group was formed in accordance with Article 1206 to discuss the application of the CFTA to measures regarding cannabis for non-medical purposes. The working group did not submit any recommendations to the CIT to amend the agreement this fiscal year but did meet 9 times via conference call or virtually, while its sub-groups met twice.

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 ITSC 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.

The Annual General Meeting of the ITSC was held via conference call on September 29, 2020. The annual meeting of the ITSC Board of Directors to approve the 2021/2022 Operating Plan and Budget plan took place on January 20, 2021.

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 chairpersonship is rotated each year on the basis of the rotation set out in Article 1101.4. Decisions are also made 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. The ITR table met 30 times via conference call or virtually during this fiscal year.

Canadian Free Trade Agreement

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

Goals, Activities, Performance Targets, and Results for 2020/2021

Goals	Activities	Performance Targets	Results (Met, Mostly Met, Partially Met, Not Met, or N/A)
<p>Goal 1: Operational services: to provide efficient and effective support services to the Parties' ongoing implementation of the CFTA</p>	<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>Met</p> <p>Met</p> <p>Partially 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>Not 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</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>N/A</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, 2021)

Alberta

The Honourable Jason Kenney
Premier of Alberta

British Columbia (Chair)

The Honourable George Chow
Minister of State for Trade

Canada

The Honourable Dominic LeBlanc
President of the Queen's Privy Council for
Canada and Minister of Intergovernmental
Affairs

Manitoba

The Honourable Ralph Eichler
Minister of Economic Development and Jobs

New Brunswick

The Honourable Blaine Higgs
Premier of New Brunswick

Newfoundland and Labrador

The Honourable Andrew Furey
Premier of Newfoundland and Labrador

Northwest Territories

The Honourable Caroline Wawzonek
Minister of Finance
Minister of Industry, Tourism and Investment
Minister Responsible for the Status of
Women

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, 2021)

Alberta

Richard Skelton
Economic and Resource and Internal Trade
Policy Executive Branch

British Columbia

Matthew Carnaghan
Senior Manager
Trade Policy and Negotiations
Ministry of Jobs, Economic Development and
Competitiveness

Canada

Jay Barber Director, Internal Trade
Intergovernmental Affairs
Privy Council Office

Manitoba

Stacey Quinn
Trade Agreements and Negotiations
Manitoba Economic Development and Jobs

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador (Chair)

Richard Squires
Manager, Trade Policy Division
Intergovernmental Affairs Secretariat

Northwest Territories

Alexandrea 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 Development
and Transportation

Ontario

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

Prince Edward Island

Darryl O'Brien Trade & Economic Policy
Advisor
Economic and Population Growth
Economic Growth, Tourism and Culture

Québec

Marie-Andrée Marquis
Commercial Policy
Finance and the Economy

Saskatchewan

Rob Swallow
Executive Director, Trade Policy Branch
Ministry of Trade and Export Development

Yukon

Shay Kokiw
Senior Policy Advisor
Economic Development

Financial Statements

INTERNAL TRADE SECRETARIAT CORPORATION

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

MARCH 31, 2021

INTERNAL TRADE SECRETARIAT CORPORATION
MARCH 31, 2021
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Internal Trade Secretariat Corporation:

Qualified Opinion

We have audited the accompanying financial statements of Internal Trade Secretariat Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2021, and the statement of operations and unrestricted net assets, and cash flow for the year then ended, and the notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Internal Trade Secretariat Corporation as at March 31, 2021, and the results of its operations and its cash flow for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

As outlined in note 4 to the financial statements, Internal Trade Secretariat Corporation does not capitalize and amortize its tangible capital assets. 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 flow for the year ended March 31, 2021, and March 31, 2020. 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, 2021 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 organization 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.

Other Matter

The financial statements for the year ended March 31, 2020, were audited by another auditor who expressed a modified opinion of those financial statements on September 30, 2020, for the same reasons as described above.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

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

Other Information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the quantification of tangible capital assets. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 organization'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 organization to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure, and content of the financial statements including the disclosures, and whether the financial statements representing the underlying transactions and events in a manner that achieved 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.

Fort Group

**Winnipeg, Manitoba
September 28, 2021**

**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

**INTERNAL TRADE SECRETARIAT CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 611,297	605,622
Accounts receivable	6,169	17,458
Prepaid expenses	<u>7,079</u>	<u>660</u>
	624,545	623,740
TANGIBLE CAPITAL ASSETS (Note 4)	<u>1</u>	<u>1</u>
	<u>\$ 624,546</u>	<u>623,741</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	\$ 68,319	32,840
Federal Government surplus payable (Note 5)	<u>121,118</u>	<u>113,569</u>
	<u>189,437</u>	<u>146,409</u>
NET ASSETS		
Surplus Funds - Provinces and Territories (Note 6)	305,719	347,942
Reserve funds - Contingency (Note 7)	125,000	125,000
Unrestricted	<u>4,390</u>	<u>4,390</u>
	<u>435,109</u>	<u>477,332</u>
	<u>\$ 624,546</u>	<u>623,741</u>

APPROVED ON BEHALF OF THE CORPORATION:



Director

The accompanying notes are an integral part of this financial statement.

INTERNAL TRADE SECRETARIAT CORPORATION
STATEMENT OF OPERATIONS and unrestricted net assets
YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUES		
Contributions		
Federal Government (Note 5)	\$ 253,884	261,430
Provinces and Territories (Note 6)	254,133	260,070
Dispute recoveries	-	15,681
Interest		
Federal Government (Note 5)	1,225	5,909
Provinces and Territories (Note 6)	<u>1,475</u>	<u>4,549</u>
	<u>510,717</u>	<u>547,639</u>
EXPENSES		
Bad debt expense	4,683	-
Communications	521	9,353
Computer and software	6,814	4,150
Goods and services - net	3,013	3,252
Meetings and conferences	9,303	60,167
Office expenses	25,777	28,851
Other expenses	496	978
Personnel	367,251	354,244
Professional development	840	1,515
Professional fees	47,984	7,092
Rent	33,994	29,440
Translation	10,041	32,119
Travel	<u>-</u>	<u>16,478</u>
	<u>510,717</u>	<u>547,639</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	-	-
UNRESTRICTED NET ASSETS , beginning of year	<u>4,390</u>	<u>4,390</u>
UNRESTRICTED NET ASSETS , end of year	<u>\$ 4,390</u>	<u>4,390</u>

The accompanying notes are an integral part of this financial statement.

**INTERNAL TRADE SECRETARIAT CORPORATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ -	-
Changes in non-cash working capital:		
Accounts receivable	11,289	1,840
Prepaid expenses	(6,419)	540
Accounts payable and accrued liabilities	35,479	19,896
Federal Government surplus payable	7,549	(61,505)
Surplus funds - Province and Territories	<u>(42,223)</u>	<u>15,787</u>
CHANGE IN CASH POSITION	5,675	(23,442)
CASH, BEGINNING OF YEAR	<u>605,622</u>	<u>629,064</u>
CASH, END OF YEAR	<u>\$ 611,297</u>	<u>605,622</u>

The accompanying notes are an integral part of this financial statement.

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021**

1. STATUS AND PURPOSE 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 Canadian Free Trade Agreement. 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 Canadian Free Trade Agreement.

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 incorporate entity effective April 1, 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") with the exception of tangible capital assets.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve. It is management's opinion that the organization has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. While management will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the Corporation.

The financial statements include the following significant accounting policies:

(a) Tangible Capital Assets

Tangible capital assets are charged to the statement of operations in the year of purchase. Accounting principles require the tangible capital assets be capitalized and amortized over their estimated useful life. The effect of this policy is described in note 4.

(b) Revenue Recognition

The Corporation follows the restricted fund method of accounting for contributions. 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.

Government contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and when the applicable expenses are accrued or paid.

(c) 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 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
YEAR ENDED MARCH 31, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved. Actual results may differ from estimates.

(e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial instruments held by the Corporation include cash, accounts receivable, and accounts payable, and accrued liabilities. Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on 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.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Trade accounts payable	\$ 27,560	11,666
Vacation payable	15,195	18,730
Wages and source deductions payable	<u>25,564</u>	<u>2,444</u>
	<u>\$ 68,319</u>	<u>32,840</u>

Included in wages and source deduction payable is a severance amount of \$22,162 related to the previous Managing Director.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets are charged to the statement of operations in the year of purchase. During the year, there were \$1,885 of purchases (\$6,253 in 2020) that were expensed. Accounting standards require that property and equipment be capitalized and amortized over their estimated useful life.

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021**

5. 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:

	<u>2021</u>	<u>2020</u>
Surplus funds, beginning of year	\$ -	-
Contributions for the year	<u>375,002</u>	<u>374,999</u>
	<u>375,002</u>	<u>374,999</u>
Required contributions		
50% of the eligible expenditures of \$510,717 (\$531,958 in 2020)	255,359	265,979
Deduct interest earned on advances from the Federal Government	<u>(1,475)</u>	<u>(4,549)</u>
Contributions recognized as revenue for the year	<u>253,884</u>	<u>261,430</u>
	121,118	113,569
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	<u>(121,118)</u>	<u>(113,569)</u>
Surplus funds, end of year	<u>\$ -</u>	<u>-</u>

6. SURPLUS FUNDS - PROVINCES AND territories

Based on the Canadian Free Trade Agreement, 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:

	<u>2021</u>	<u>2020</u>
Surplus funds, beginning of year	\$ 347,942	332,155
Contributions for the year	<u>211,911</u>	<u>275,857</u>
	<u>559,853</u>	<u>608,012</u>
Required contributions		
50% of the eligible expenditures of \$510,717 (\$531,958 in 2020)	255,359	265,979
Deduct interest earned on advances from the Provinces and Territories	<u>(1,225)</u>	<u>(5,909)</u>
Contributions recognized as revenue for the year	<u>254,134</u>	<u>260,070</u>
Surplus funds, end of year	<u>\$ 305,719</u>	<u>347,942</u>

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021**

7. 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.

8. COMMITMENTS

The Corporation has an operating lease for its premises at \$3,113 per month including cleaning services, under a lease expiring in November 30, 2025.

The Corporation has also entered into an operating lease for its equipment. The equipment is leased at \$280 per month.

9. ECONOMIC DEPENDENCE

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

10. FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business and except under certain exceptions, no later than three months.

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due.

(b) Credit Risk

Credit risk is the risk that a counterparty will default on its financial liabilities. Financial instruments which potentially subject the Corporation to credit risk and concentrations of credit risk consist principally of cash, and accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.