

ANNUAL REPORT



CANADIAN FREE TRADE AGREEMENT ACCORD DE LIBRE-ÉCHANGE CANADIEN

For the Fiscal Year Ending March 31, 2023

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INTERNAL TRADE
SECRETARIAT



SECRETARIAT DU
COMMERCE INTÉRIEUR

Suite 101, 605 Des Meurons Street
Winnipeg, MB R2H 2R1
Telephone: (204) 987-8092
Email: secretariat@its-sci.ca
Website: www.cfta-alec.ca

605, Rue Des Meurons, bureau 101
Winnipeg (Manitoba) R2H 2R1
Téléphone : (204) 987-8092
Courriel : secretariat@its-sci.ca
Site Web : www.cfta-alec.ca

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Overview of the Agreement

The Canadian Free Trade Agreement (CFTA) entered into force on July 1, 2017. The CFTA's 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 of April 1, 2022 to March 31, 2023.

Organizational Structure

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. The CIT makes decisions by consensus (unanimity) and its chairpersonship is rotated each year, per the rotation set out in Article 1101.4.

Party	Calendar Year
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

Internal Trade Secretariat Corporation

The CFTA established a Secretariat to act as the administrative and operational support to the CIT, as well as working groups and other committees 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 the Board of Directors.

Board of Directors

Each Party to the CFTA appoints a representative to serve on the ITSC Board of Directors, which provides guidance to the Managing Director in the administration and operation of the ITSC.

Internal Trade Representatives

Internal Trade Representatives (ITRs) are senior trade officials appointed by each Party to the CFTA. These individuals meet regularly through various committees and working groups to carry out the work of implementing the CFTA.

Progress Under the Canadian Free Trade Agreement

Initial Provisions and General Rules (Chapters One and Two)

These chapters set overarching objectives and rules for the CFTA.

Special Provisions (Chapter Three)

This Chapter sets out specific rules relating to goods, services, investment, monopolies and government enterprises, and incentives.

Committee on Customer-Related Measures and Standards

This committee meets independently and regularly under the authority of Article 1103.3.

Direct-to-Consumer Technically Focused Working Group

This working group was established in accordance with Article 1103.1. It did not convene during the fiscal year as it completed its mandate.

Pan-Canadian Direct-to-Consumer Implementation Task Force

Established in accordance with Article 1103.1, this working group met 13 times, including one in-person meeting, while various sub-working groups met 11 times.

Trade in Alcoholic Beverages Working Group

Established in accordance with Article 1103.1, this working group did not convene during the fiscal year. As part of improving the transparency and accessibility of information related to the trade in alcohol, the working group launched the [Alcohol Laws in Canada website](#) in early 2020 and is responsible for ensuring its continued accuracy.

Working Group on Alcoholic Beverages

Established in accordance with Article 1103.5, this working group did not convene during the fiscal year as it completed its mandate. As part of improving the transparency and accessibility of information related to the trade in alcohol, the working group developed the [Federal-Provincial-Territorial Action Plan: Trade in Alcoholic Beverages](#).

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

Established in accordance with Article 1103.12, this working group met once during the fiscal year.

Working Group on the Development of the Food Sector in the Territories

Established in accordance with Article 1103.11, this working group did not convene during the fiscal year.

Working Group on Trade in Fish and Fish Products

Established in accordance with Article 1103.9, this working group did not convene during the fiscal year.

Regulatory Notification, Reconciliation, and Cooperation (Chapter Four)

This Chapter sets out the provisions relating to regulatory notification, reconciliation, and cooperation, including the Regulatory Reconciliation and Cooperation Table (RCT).

Regulatory Reconciliation and Cooperation Table

In accordance with Article 404, the RCT was formed to help reconcile 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 met 17 times during the fiscal year and its various sub-groups met five times to address specific issues. The [RCT's 2022 Annual Report](#), available on the CFTA website, outlines its achievements, stakeholder engagement, lessons learned, the 2023 Work Plan, and plans for 2023.

Government Procurement (Chapter Five)

This Chapter sets out the framework for government procurement to ensure fair and open access to opportunities for all Canadian suppliers.

The [Annual Reports on Procurement](#) submitted by Parties and the revised [Covered Procurement Thresholds](#) are available from the CFTA website.

Procurement Committee

Established in accordance with Article 1103.1 and by a directive from the CIT in November 2017, this working group was formed to identify issues with and improve Chapter Five. The working group met three times during the fiscal year.

Environmental Protection (Chapter Six)

This Chapter applies to environmental measures adopted or maintained by a Party that may affect trade, investment or labour mobility in Canada.

Labour Mobility (Chapter Seven)

This Chapter sets out provisions for labour mobility in Canada. It aims to eliminate or reduce measures adopted or maintained by the Parties that restrict or impair labour mobility within Canada and, in particular, to enable any worker certified for an occupation by one Party's regulatory authority to be recognized as qualified for that occupation by all other Parties.

Labour Mobility Working Group

Established by the Forum of Labour Market Ministers, this working group, facilitates the implementation of Chapter Seven. An annual report to the CIT on the operation of Chapter Seven is forthcoming, in accordance with Article 708.

General Exceptions and Party-Specific Exceptions (Chapters Eight and Nine)

These chapters set out general exceptions that apply to all Parties as well as Party-specific exceptions.

The First Protocol of Amendment, which enabled a Party to remove or narrow its own Party-specific exceptions in an expedited manner, was approved by ministers in August 2019 and entered into force on December 10, 2019. Newfoundland and Labrador implemented removals and amendments, while Yukon implemented removals regarding various Party-specific exceptions over the course of the fiscal year.

Working Group on Party-Specific Exceptions

Established in accordance with Article 1103.1, this working group considers ways to minimize or eliminate Party-specific exceptions. The working group did not convene during the fiscal year.

Dispute Resolutions (Chapter Ten)

This Chapter sets out the dispute resolution mechanisms under the CFTA.

The list of [CFTA Dispute Roster](#) members designated by the Parties and the revised [Dispute Resolution Tariff Costs](#) are available from the CFTA website.

The following Person-to-Government dispute remained active during the fiscal year:

Fathom Marine Inc. v. the Northwest Territories regarding the provision of financial assistance and subsidies to Marine Transportation Services (21/22 – 3: SHIPPING)

On October 28, 2021, Fathom Marine Inc. requested that Proceedings be initiated against the Northwest Territories with respect to the provision of financial assistance and subsidies to Marine Transportation Services (MTS), a government enterprise, which owns and operates a fleet of tugboats and barges along the Mackenzie River and Arctic Coast. Fathom Marine Inc. posits that these provisions and subsidies allow MTS to unfairly compete directly with private transportation firms. This dispute, which has been joined by Nunavut and Quebec as interested Parties, remains at the consultations stage as of March 31, 2023.

The following Government-to-Government dispute was resolved during the fiscal year:

Alberta v. Ontario regarding the operation of certain measures relative to alcoholic beverages (18/19 – 3: LIST)

On November 27, 2018, Alberta requested that Proceedings be initiated against Ontario with respect to measures related to the listing, placement, and access practices of the Liquor Control Board of Ontario. This dispute was resolved on April 29, 2022 prior to the establishment of the Panel.

Institutional Provisions (Chapter Eleven)

This Chapter sets out the institutional provisions of the CFTA, including those of the CIT and its structure and procedures, the Internal Trade Secretariat, and the various committees and working groups.

Committee on Internal Trade Annual Meeting

As part of ensuring the continued implementation of the CFTA, the CIT held its annual meeting in Toronto, Ontario on December 8, 2022. Ministers took the opportunity to reflect on the progress made to facilitate trade in goods, services, investment and labour mobility within Canada and to consider future priorities to promote internal trade. A number of key decisions were taken by ministers to drive the internal trade agenda forward, including that Ministers:

- declared the complete the negotiations to include trade in non-medical cannabis in the CFTA;
- agreed on a path forward to complete the negotiation of a Financial Services Chapter for inclusion in the CFTA by July 1, 2023; and

- recommended the relaunch of initiatives to increase economic opportunities in the Territories related to growing, harvesting and processing healthy food.

In addition, ministers reviewed the ongoing work of the RCT to identify and reconcile unnecessary trade irritants. Ministers further received an update and discussed collaborative efforts, including through the Forum of Labour Market Ministers, to strengthen labour mobility across the country. Provinces and territories also discussed their priorities and recent actions to improve internal trade, while Canada delivered an update on its priorities, including its Budget 2021 commitment to allocate \$21 million to renew efforts on internal trade and provide open and accessible pan-Canadian internal trade data. Ministers concluded by reiterating the importance of supporting a strong internal market for the benefit of all Canadians.

Internal Trade Secretariat Corporation

The ITSC's Annual General Meeting was held virtually on September 8, 2022 to approve the 2021-2022 financial statements as presented by the public accountant, appoint the public accountant for the 2022-2023 fiscal year, and approve the CFTA Annual Report for 2021-2022.

Board of Directors

The annual meeting of the Board of Directors to approve the 2023-2024 Annual Operating Plan and Budget took place on February 16, 2023. Four additional meetings took place over the course of the fiscal year.

Internal Trade Representatives

The ITR table met 19 times during the fiscal year.

Final Provisions (Chapter Twelve)

This Chapter sets out the final provisions of the CFTA.

Financial Services Working Group

In accordance with Article 1205, this working group was formed to explore adding financial services rules to the CFTA. The working group met 19 times during the fiscal year, while its various sub-groups met three times to discuss specific issues.

Trade in Cannabis Working Group

This working group was formed in accordance with Article 1206 to discuss applying the CFTA to measures regarding cannabis for non-medical purposes. The working group met eight times during the fiscal year and has completed its mandate.

Goals, Activities, Performance Targets, and Results for 2022-2023

Goals	Activities	Performance Targets	Results ¹
<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 two working days; and • final summary records distributed in both languages to all Parties within two to three working days of approval and translation. <p>For ITRs and Board:</p> <ul style="list-style-type: none"> • documentation by Secretariat available four working days prior to a meeting/call; • draft summary records distributed to Chair within two working days; and • final summary records distributed in both languages within two to three 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 three working days prior to a meeting/call; • draft summary records distributed to Chairs within two working days; • final summary records distributed within two working days of approval; and • other support requests completed within agreed time frame. 	<p>Mostly met</p> <p>Met Met</p> <p>Met</p> <p>Met Met</p> <p>Partially met</p> <p>Partially met Mostly met</p> <p>Mostly met</p>

¹ (Met, Mostly Met, Partially Met, Not Met, or N/A)

Goals	Activities	Performance Targets	Results ¹
<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 in advance of AGM. Consult legal counsel and auditor as necessary. • Review regularly administrative policies/ procedures and revise as necessary. 	<p>Mostly 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.</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 timeframes specified in Chapter 10 of the CFTA. 	<p>Met</p> <p>Met</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>Liaise 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>Mostly met</p> <p>Met</p> <p>Met</p>

List of Committee on Internal Trade Representatives

(as of March 31, 2023)

Alberta

The Honourable Danielle Smith
Premier of Alberta

British Columbia

The Honourable Jagrup Brar
Minister of State for Trade

Canada

The Honourable Dominic LeBlanc
Minister of Intergovernmental Affairs,
Infrastructure and Communities

Manitoba

The Honourable Jeff Wharton
Minister of Economic Development,
Investment and Trade

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 Tim Houston
Premier of Nova Scotia

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 Bloyce Thompson
Minister of Economic Growth, Tourism
and Culture

Quebec

The Honourable Christopher Skeete
Minister for the Economy

Saskatchewan (Chair)

The Honourable Jeremy Harrison
Minister of Trade and Export
Development

Yukon

The Honourable Ranj Pillai
Premier of Yukon

List of Internal Trade Representatives

(as of March 31, 2023)

Alberta

Richard Skelton
Director
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
Internal Trade Representative and Labour
Mobility Coordinator
Trade Agreements and Negotiations
Economic Development, Investment and
Trade

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador

Richard Squires
Director (Acting), Trade Policy Division
Intergovernmental Affairs Secretariat

Northwest Territories

Jennifer Zhu
Manager, Trade, Investment and Immigration
Industry, Tourism and Investment

Nova Scotia

Jordan Mahar
Senior Policy Analyst
Intergovernmental Affairs

Nunavut

Jonathan Alomoto
International and Internal Trade Officer
Economic Development and
Transportation

Ontario

Hugo Cameron
Director
Trade Policy 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
Internal Trade Representative
Economy, Innovation and Energy

Saskatchewan (Chair)

Lyndi Blakley
Senior Trade Policy Analyst
Strategic Policy and Competitiveness
Ministry of Trade and Export Development

Yukon

Brian Park
Senior Policy Advisor
Economic Development

Audited Financial Statements for 2022-2023

INTERNAL TRADE SECRETARIAT CORPORATION

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

MARCH 31, 2023

INTERNAL TRADE SECRETARIAT CORPORATION
MARCH 31, 2023
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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, 2023, 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, 2023, 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, 2023. 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, 2022, 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 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 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.

**Winnipeg, Manitoba
August 29, 2023**

Fort Group
**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

**INTERNAL TRADE SECRETARIAT CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 630,201	592,440
Provincial contributions receivable	9,974	59,490
GST receivable	13,694	9,285
Prepaid expenses	<u>2,251</u>	<u>3,088</u>
	656,120	664,303
TANGIBLE CAPITAL ASSETS (Note 5)	<u>1</u>	<u>1</u>
	<u>\$ 656,121</u>	<u>664,304</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 39,123	22,871
Federal Government surplus payable (Note 6)	<u>115,504</u>	<u>166,257</u>
	<u>154,627</u>	<u>189,128</u>
NET ASSETS		
Surplus Funds - Provinces and Territories (Note 7)	372,104	345,786
Reserve funds - Contingency (Note 8)	125,000	125,000
Unrestricted	<u>4,390</u>	<u>4,390</u>
	<u>501,494</u>	<u>475,176</u>
	<u>\$ 656,121</u>	<u>664,304</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, 2023

	<u>2023</u>	<u>2022</u>
REVENUES		
Contributions		
Federal Government (Note 6)	\$ 259,495	214,995
Provinces and Territories (Note 7)	258,556	214,965
Interest		
Federal Government (Note 6)	4,880	948
Provinces and Territories (Note 7)	<u>5,820</u>	<u>978</u>
	<u>528,751</u>	<u>431,886</u>
EXPENSES		
Communications	4,167	3,265
Computer and software	6,196	2,700
Goods and services - net	136	3,094
Meetings and conferences	47,957	1,292
Office expenses	20,471	30,782
Other expenses	1,700	335
Personnel	322,542	292,966
Professional development	3,599	1,777
Professional fees	24,882	40,873
Rent	42,627	41,112
Translation	45,092	13,690
Travel	<u>9,382</u>	<u>-</u>
	<u>528,751</u>	<u>431,886</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, 2023**

	<u>2023</u>	<u>2022</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ -	-
Changes in non-cash working capital:		
Provincial contributions receivable	49,516	(59,490)
GST receivable	(4,409)	(3,116)
Prepaid expenses	837	3,991
Accounts payable and accrued liabilities	16,252	(45,448)
Federal Government surplus payable	(50,753)	45,139
Surplus funds - Province and Territories	<u>26,318</u>	<u>40,067</u>
CHANGE IN CASH	37,761	(18,857)
CASH, BEGINNING OF YEAR	<u>592,440</u>	<u>611,297</u>
CASH, END OF YEAR	<u>\$ 630,201</u>	<u>592,440</u>

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

INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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 Agreement on Internal Trade and continued under 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. CHANGE IN ACCOUNTING POLICY

During the year, the Corporation changed its revenue recognition policy from the restricted fund method to the deferral method. The change in accounting policy better reflects the treatment of Federal, and Provincial and Territorial contributions. This change in accounting policy has been applied in preparing the financial statements for the year ended March 31, 2023, and the comparative information presented in these financial statements for the year-ended March 31, 2022, and to the opening net assets as at April 1, 2022, though no adjustments arose due to this change in accounting policy.

3. 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 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. Canadian accounting standards for not-for-profit organizations 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 deferral 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.

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Surplus Funds - Provinces and Territories

The management board of the Corporation resolved on November 21, 2005, to change the existing policy with regard 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.

(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, provincial contributions 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.

(f) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements due to the difficulty in determining their fair value.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade accounts payable	\$ 27,114	11,529
Vacation payable	5,526	7,460
Payroll taxes	3,102	-
Wages payable	<u>3,381</u>	<u>3,882</u>
	<u>\$ 39,123</u>	<u>22,871</u>

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets are charged to the statement of operations in the year of purchase. During the year, there were \$3,903 of purchases (2022 - \$2,219) that were expensed.

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

6. 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>2023</u>	<u>2022</u>
Surplus funds, beginning of year	\$ -	-
Contributions received during the year	<u>374,999</u>	<u>381,252</u>
	<u>374,999</u>	<u>381,252</u>
Required contributions		
50% of the eligible expenditures of \$528,751 (2022 - \$431,886)	264,375	215,943
Deduct interest earned on advances from the Federal Government	<u>(4,880)</u>	<u>(948)</u>
Contributions recognized as revenue for the year	<u>259,495</u>	<u>214,995</u>
	115,504	166,257
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	<u>(115,504)</u>	<u>(166,257)</u>
Surplus funds, end of year	<u>\$ -</u>	<u>-</u>

7. 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>2023</u>	<u>2022</u>
Surplus funds, beginning of year	\$ 345,786	305,719
Contributions received during the year	<u>284,874</u>	<u>255,032</u>
	<u>630,660</u>	<u>560,751</u>
Required contributions		
50% of the eligible expenditures of \$528,751 (2022 - \$431,886)	264,376	215,943
Deduct interest earned on advances from the Provinces and Territories	<u>(5,820)</u>	<u>(978)</u>
Contributions recognized as revenue for the year	<u>258,556</u>	<u>214,965</u>
Surplus funds, end of year	<u>\$ 372,104</u>	<u>345,786</u>

**INTERNAL TRADE SECRETARIAT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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8. RESERVE FUNDS - CONTINGENCY

The contingency reserve fund, as established by board resolution on 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.

9. COMMITMENTS

The Corporation has entered into the following leases:

- i) An operating lease for its premises including cleaning services at \$3,113 per month expiring on November 30, 2025.
- ii) An operating lease for information technology software at \$625 per month, expiring on July 30, 2023.

March 31,	2024		\$	46,740
	2025			42,920
	2026			41,635
	2027			<u>14,015</u>
			<u>\$</u>	<u>145,310</u>

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 that 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.

(c) Concentration Risk

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