

**INTERNAL TRADE SECRETARIAT
CORPORATION**

Financial Statements
For the year ended March 31, 2016

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2016

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Independent Auditor's Report

To the Board of Directors of Internal Trade Secretariat Corporation

We have audited the accompanying financial statements of Internal Trade Secretariat Corporation, which comprise of the statement of financial position as at March 31, 2016 and the statements of operations and unrestricted net assets and of cash flows for the year ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Internal Trade Secretariat Corporation as at March 31, 2016 and the results of its operations and its cash flows for the year ended March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
August 23, 2016

INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Financial Position

March 31	2016	2015
	\$	\$
Assets		
Current Assets		
Cash	401,552	456,898
Accounts receivable	14,342	60,767
Prepaid expenses	652	1,901
	<u>416,546</u>	519,566
Capital assets (Note 3)	<u>1</u>	1
	<u>416,547</u>	519,567
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	19,975	14,861
Federal Government surplus payable (Note 4)	44,322	156,631
	<u>64,297</u>	171,492
Net Assets		
Surplus Funds		
Federal Government (Note 4)	-	-
Provinces and Territories (Note 5)	224,427	220,753
Reserve funds - Contingency (Note 6)	125,000	125,000
Unrestricted	2,823	2,322
	<u>352,250</u>	348,075
	<u>416,547</u>	519,567

Approved on behalf of the Corporation:

_____ Director

INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2016	2015
	\$	\$
Revenue		
Contributions		
Federal Government (Note 4)	293,178	180,869
Provinces and Territories (Note 5)	291,900	179,325
Dispute recoveries	83,959	92,280
Interest		
Federal Government (Note 4)	2,763	1,978
Provinces and Territories (Note 5)	4,041	3,522
Other income	501	-
	676,342	457,974
Expenses		
Personnel	247,747	199,104
Meetings and conferences	230,471	86,450
Rent (Note 7)	48,502	43,808
Travel	40,699	13,207
Office expenses	31,537	25,722
Communications	27,599	13,766
Professional services	17,870	26,965
Translation	14,306	34,125
Goods and services tax, net	9,280	5,032
Computers and software	3,765	3,600
Other expenses	2,940	-
Professional development	1,125	6,195
	675,841	457,974
Excess of revenue over expenses for the year	501	-
Unrestricted net assets, beginning of year	2,322	2,322
Unrestricted net assets, end of year	2,823	2,322

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	2016	2015
	\$	\$
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	501	\$ -
Changes in non-cash working capital balances		
Accounts receivable	46,425	(55,816)
Prepaid expenses	1,249	(98)
Accounts payable and accrued liabilities	5,114	(14,207)
Federal government surplus payable	(112,309)	120,374
Surplus funds - Provinces and Territories	3,674	77,734
Decrease (increase) in cash and cash equivalents during the year	(55,346)	127,987
Cash and cash equivalents, beginning of year	456,898	328,911
Cash and cash equivalents, end of year	401,552	456,898

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, 2016

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of the Organization

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

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

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

Basis of Accounting

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

Property and Equipment

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

Revenue Recognition

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

Surplus Funds

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

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2016

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>2016</u>	<u>2015</u>
	\$	\$
Trade accounts payable	15,604	9,294
Vacation payable	4,208	1,841
Wages and source deductions payable	163	3,726
	<u>19,975</u>	<u>14,861</u>

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were \$5,811 of purchases (\$1,550 in 2015) that were expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The estimated useful life of the property and equipment components which include computers, furniture and office equipment is usually 5 years. If property and equipment had been capitalized and amortized over their estimated useful life of five years, amortization expense would have been increased by \$2,412 (\$1,250 in 2015), contribution revenue would have been increased by \$2,412 (\$1,250 in 2015), and capital assets and surplus funds on the balance sheet would each have increased by \$8,365 (\$4,966 in 2015).

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2016

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:

	2016	2015
	\$	\$
Surplus funds, beginning of year	-	-
Contributions for the year	337,500	337,500
	337,500	337,500
Required contributions		
50% of the eligible expenditures of \$591,882 (\$365,694 in 2015)	295,941	182,847
Deduct interest earned on advances from the Federal Government	(2,763)	(1,978)
Contributions recognized as revenue for the year	293,178	180,869
	44,322	156,631
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(44,322)	(156,631)
Surplus funds, end of year	-	-

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2016

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:

	<u>2016</u>	<u>2015</u>
	\$	\$
Surplus funds, beginning of year	220,753	143,019
Contributions for the year	295,574	257,059
	<u>516,327</u>	<u>400,078</u>
Required contributions		
50% of the eligible expenditures of \$591,882		
(\$365,694 in 2015)	295,941	182,847
Deduct interest earned on advances from		
the Provinces and Territories	<u>(4,041)</u>	<u>(3,522)</u>
Contributions recognized as revenue for the year	<u>291,900</u>	179,325
Surplus funds, end of year	<u>224,427</u>	<u>220,753</u>

6. Reserve Funds - Contingency

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Reserve funds, end of year	<u>125,000</u>	<u>125,000</u>

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2016

7. Commitments

The Corporation has an operating lease for its premises at \$2,281 per month including cleaning services, under a lease expiring in November 2017.

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

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

2017	\$	29,173
2018		20,049
2019		1,801
2020		751

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.

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.